EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,950 Tuesday September 19 1989 D 8523A

ASIA
Airport bottlenecks limit traffic growth
Page 8

World News

Mandela could be free within weeks, says minister

Nelson Mandela, the imprisoned leader of the African National Congress, could be released within weeks, a senior South African minister said.

Gerrit Viljoen, who was appointed Minister of Constitutional Development at the weekend, told the BBC that the release of Mandela and other prisoners convicted of security offences "is a matter very high on the agenda of the Government" and said it could be within weeks. Page 20

Rabin backs Cairo
Yitzhak Rabin, the Israeli Defence Minister, gave his clear backing to Egyptian efforts to convene Israeli-Palestinian peace talks after conferring in Cairo with President Mubarak. Page 4

India to withdraw
India agreed to withdraw its remaining 42,000 troops from Sri Lanka by December 31, ending an unsuccessful two-year attempt to halt the ethnic strife which has torn the island apart. Page 20

Brussels warning
The European Commission threatened to propose a more swingeing type of centralised EC legislation, unless member states improved their record of writing 1992 directives into national law. Page 2

US embassy hit
A rocket was fired at the heavily guarded American embassy in the Colombian capital Bogota in the first attack on a US target since the war on drugs began a month ago with Washington's support.

Minister warns Bonn
Gerhard Stoltenberg, the West German Defence Minister, warned against "lack of risk consciousness" in the West's dealings with the Soviet Union, in a speech warning Bonn of complacency in its relations with Moscow. Page 2

Death commuted
Death sentences on 12 Sri Lankans and four Maldivians who took part in a failed coup attempt in the Maldives last year have been commuted to life imprisonment.

Turkish strike ends
Some 24,000 workers returned to two of Turkey's largest steel mills, ending a 137-day strike.

Vienna snubs Israel
Austria is downgrading diplomatic relations with Israel because the Jewish state refuses to send an ambassador to Vienna while Kurt Waldheim is president.

Syrian arms supplies
The Soviet Union is considering cutting military aid to Syria, but says it has no intention of weakening its close relationship, the Soviet ambassador in Damascus said.

Yeltsin criticised
Pravda, the Soviet Communist Party daily, published a denunciation of Boris Yeltsin's conduct during his recent US tour, saying "for Yeltsin America is a festival, a scene, a bar 5,000km long."

Hurricane kills nine
Hurricane Hugo ripped through Puerto Rico with winds of more than 100 mph after slicing a path of destruction across a chain of Caribbean islands, killing nine and making thousands homeless.

Business Summary

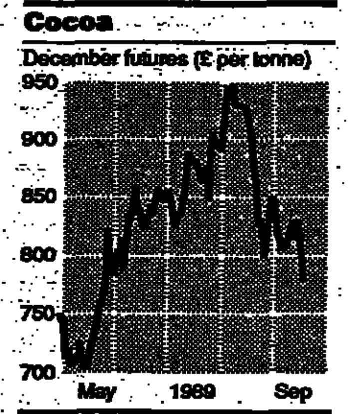
First Bank System faces troubles with loan portfolio

First Bank System, a leading US regional banking group trying to recover from a $500m loss on Treasury bonds last year, said it was facing problems with some loans financing highly leveraged company buyouts.

The news came amid concern in the banking community about the durability of heavily indebted companies. First Bank will probably have to classify as non-performing some $65m of loans in its $738m leveraged buyout portfolio. Page 21

COCOA: the market pegged prices sharply down following news that talks to revive an International Cocoa Organisation agreement had ended in failure. On the London Futures and Options Exchange the December contract fell £39 to £780 a tonne. Commodities, Page 36

Cocoa
December futures (£ per tonne)



AMSTERDAM-Rotterdam Bank of the Netherlands and Belgium's Générale de Banque scaled back their ambitious plan to create a fully integrated, international banking group to meet the challenge of Europe's single market. Pages 18 and 22

DAIWA Bank, Japanese bank, said it will be acquiring the US commercial banking operations of Lloyds Bank for $200m. With related Lloyds Story, Page 24

ALAN Bond, Australian businessman, will announce the sale of his Australian operating oil interests for A$220m ($170m) to Aviva Petroleum, a small UK-based oil and gas investment company.

MACMILLAN, US publishing group controlled by Robert Maxwell, agreed to buy educational booksgroup Merrill Publishing for $260m. Page 21

SONY, Japanese electronic group, is to begin making magnetic tape in France in 1991 with an investment of FFr500m ($74.12m), in a move to boost its products' European content. Page 8

SOUTH Korea is to spend Won 3,500bn ($5.1bn) on a new high-speed rail system between Seoul and the main port of Pusan. Page 8

GATT: the secretariat of the General Agreement on Tariffs and Trade warned that more liberalisation of banking and other financial services might mean stronger regulatory systems. Page 8

SEIBU, Japanese group, agreed the conditional purchase of 40 per cent of Hong Kong's Wing On department Store for HK$356m ($45m). Page 25

PACIFIC Dunlop, Australian conglomerate, reported a 42 per increase in after-tax profits to A$263.3m ($205m) for the year to June. Page 26

GLAXO, UK pharmaceuticals group expected to announce pretax profits of about £1bn ($1.54bn) today will reveal more about possible merger plans. Page 21

OPTICAL electronics: the next generation of submarines may be fitted without their periscope but opto-electronic sensors. Page 16

Write-downs on non-existent contracts and stock could top £150m

Ferranti chief points to fraud in wake of merger

By Terry Dodsworth and Hugo Dixon in London

SIR Derek Alun-Jones, chairman of Ferranti International Signal, told the company's 25,000 workers yesterday that the company may have been the victim of serious fraud.

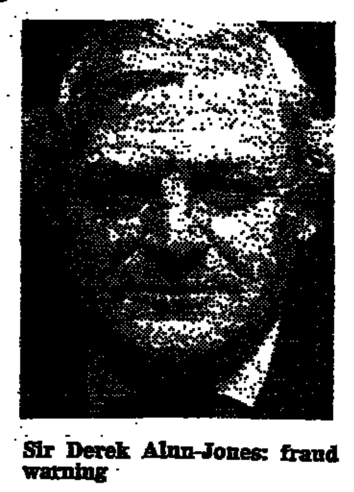
In the company's first direct reference to the possibility of fraud, he said it appeared "certain" that both the company and its advisers had been misled, and added that everything possible was being done to establish the extent of wrongdoing.

Sir Derek's statement follows mounting speculation over the scale of the fraud that Ferranti may have suffered following its merger in 1987 with the US-based International and Signal and Control.

The company believes it may be faced with write-downs of up to £150m ($235.5m) on non-existing contracts and stock which ISC had claimed to have at the time of the merger.

Elsewhere yesterday, it emerged that a team of about 60 investigators from Coopers and Lybrand, the accountants, had mounted an inquiry covering three Continents. Ferranti executives and its lawyers, Herbert Smith, were also conducting parallel investigations.

The investigators believe that phantom customers were set up to pass money through to ISC and a chain of subcontractors to give the impression that ISC was a much more substantial business than it actually was. The Coopers and Lybrand team are understood to have made good progress in tracking down the identity of front companies through which the funds were channelled.



Sir Derek Alun-Jones: fraud warning

They have not as yet, however, established contact with Mr James Guerin, ISC's founder and former deputy chairman of Ferranti, who left the company abruptly four months ago.

The Serious Fraud Office in London said that it had been told of the problems at Ferranti and that officials expected the Coopers and Lybrand team to pass on the results of the investigation to them. The office is not at present conducting its own investigation.

Meanwhile, discussions continued about a possible rescue package, but it is not thought likely that any details will be agreed until the first report from Coopers and Lybrand appears in two weeks.

The Ministry of Defence, the Department of Trade and Industry and the Bank of England are keeping a close watch on the situation because of Ferranti's position as one of the UK's main defence groups.

Mr Tom King, the British Defence Secretary, said he was "very concerned" about the situation.

The DTI might take its watching brief still further if it decides there is sufficient grounds to warrant an investigation into the company's affairs.

Pakistan has been identified as the location of one of the three suspect contracts where ISC was supposed to be involved a large-scale missile project. Ferranti executives said that Iraq, Libya and the United Arab Emirates were not connected with the other contracts.

Ferranti's and ISC's advisers sought to disassociate themselves from failing to spot wrong-doing at the time of the merger. Mr Lawrence Banks, deputy chairman of Robert Fleming, ISC's merchant bank, said: "We can only say that we did not initiate the merger discussions between Ferranti and ISC. But we would not have put our name to a merger if we had not thought ISC was a sound company."

Institutional shareholders said there had been no concerted move as yet to form a common group. But there was widespread dismay over the way in which Ferranti appeared to have been misled. "Some of us had misgivings about the ISC merger, but we gave the Ferranti management the benefit of the doubt," said one institutional manager.

There seems little likelihood that Ferranti will ask for a resumption of trading in its shares, which were suspended a week ago, over the next few days.

The company is also facing increasing concern over its ability to win the contract for the radar to equip the planned European Fighter Aircraft. Ferranti is the leader of a four-nation consortium for the deal worth more than £1bn, which is due to be discussed in West Germany on Thursday by Mr Tom King, the Defence Secretary. Recently, the UK appears to have softened its stance against Bonn's dogged defence of a West German-led alternative to the Ferranti proposal.

Lex, Page 20; Background, Page 28

ISC's well-connected businessman

By Lionel Barber in Washington

WHEN Ferranti sought, two years ago, to boost significantly its share of US defence contracts, it seemed that Mr Jim Guerin provided a short-cut to success.

Mr Guerin, 59, was the founder, president and executive chairman of International Signal and Control, based in Lancaster, Pennsylvania. The company, which by 1987 had grown to a business with sales of almost $600m a year, boasted a close and profitable relationship with the Pentagon and the US intelligence community.

Although it remains unclear just how extensive and profitable these links were, it is undeniable that Mr Guerin persuaded several reputable figures to become business associates, notably Mr Bobby Ray Inman, the former deputy director of the Central Intelligence Agency between 1981 and 1982.

According to published reports in the US, Mr Inman, who now heads a computer business in Austin, Texas, agreed to serve on the "proxy board" of ISC. Such a board is a device used to protect national security when US companies involved in classified defence work are acquired by foreign companies. Only the proxy board's members are allowed access to classified information.

When Ferranti acquired ISC in 1987, a proxy board was, however, already in place. ISC – though US-founded – obtained a UK Stock Exchange listing in 1982 and its US operations were therefore technically owned by a foreign company. What is clear is that this unusual corporate arrangement fostered a climate of secrecy inside and outside the company.

By several accounts, this was precisely what Mr Guerin wanted. "He ran his company like a mini CIA," says Mr Tom Flanery, a reporter with the Lancaster New Era, a local newspaper, who has been covering the ISC story and Mr Guerin's involvement in several other companies for more than two years.

Mr Guerin is married with five children. He has several degrees in electrical engineering from the University of Arizona and Rutgers, and served in the US Navy during the Korean war.

His activities are now under investigation by the US Attorney's office in Philadelphia.

Guerin: ISC founder

Last ditch rescue from bankruptcy for German retailer

By Haig Simonian in Frankfurt

CO OP, the troubled West German retailer, has inched back from the brink of bankruptcy following a last-minute agreement among its creditor banks in the early hours of Monday morning to accept a debt-forgiveness package.

As a result, the company has withdrawn its receivership application filed with a Frankfurt court last week after the failure of an earlier attempt to plug a DM2.6bn ($1.32m) gap in its finances.

However, not all Co op's 124 unsecured creditor banks have as yet agreed the plan to write off 75 per cent of their unsecured loans in return for a cash payment of the remainder at the end of this month.

According to Mr Helge Jan Schmodde, an official of Deutsche Genossenschaftsbank (DG Bank), one of Co op's six "pool" banks, which put together the package, attention will now focus on persuading those creditor banks which have not yet responded to come round.

Last Wednesday, Co op said nine banks had rejected the proposal, while number of Japanese financial institutions, which hold unsecured credits worth DM430m, had been unable to respond in time.

The package will only become effective if there is 100 per cent approval, Mr Schmodde says. But the new situation at least gives Co op a breathing space during which in can continue business normally following the crisis of the past week, when a Court-appointed Receiver was brought in and suppliers only continued delivering goods against immediate payment.

However, it is already clear that Co op's future in its present form is looking increasingly short-term. Once cleaned up financially, the restructuring package allows DG Bank to float or place the recapitalised group's equity.

Although talk of takeovers is said to be premature according to its bankers, there have already been at least two, albeit vague, consultations between Mr Hans Friderichs, Co op's supervisory board chairman, and the Berlin-based Federal Cartel Office.

Any takeover of Co op by another big domestic retailer would be almost certain to come up against monopoly barriers or involve the sale of so many units as to prove unattractive.

BNL Rome officials may have known of Iraq credits

By Alan Friedman in Rome and David Goodhart in Bonn

THERE are mounting indications that one or more Rome-based executives knew about or were involved in arranging $1.85bn of unauthorised Iraqi export credits that were disbursed by the Atlanta, Georgia branch of Banca Nazionale del Lavoro (BNL).

It had previously been thought that the unauthorised dealings had been confined to the leading Italian bank's US operations.

These latest disclosures come amid increasing speculation in Rome that, aside from possible Iraqi agents involved in the BNL affair, some US Government officials may have been aware of the lending of $1.85bn from Atlanta and turned a blind eye.

The possibility of some US awareness is being investigated by Italian magistrates who are looking into BNL's Middle Eastern lending.

Italian investigators have said that it is difficult to imagine such large financial transactions as those involved in BNL's Atlanta lending being processed in the US without some awareness by the US government or agency.

Both US and Italian investigators are close to identifying at least one middle-level BNL executive in Rome whom they believe was aware of the improper issue of letters of credit to US and European exporters.

Professor Antonio Longo, a member of the BNL board of directors and the chairman of INA, the state insurance group that is poised to inject fresh capital into BNL, said yesterday that a portion of the Atlanta-generated loans which went to Baghdad were transferred back to BNL in Italy as collateral for payments to companies that were exporting to Iraq.

Mr Longo's disclosure, which he said he suspected was part of a larger "mosaic" in the BNL affair, follows at least three other more circumstantial indications that someone at BNL's Rome headquarters was in touch with Mr Chris Drogoul, the dismissed BNL Atlanta branch manager who disbursed the Iraqi funds and who is now under investigation by US and Italian judicial authorities.

These indications are:

- The disclosure two weeks ago that an application to BNL branches in Udine and Rome

Continued on Page 20

Daiwa to pay $200m for US banking division of Lloyds

By David Lascelles in London and Stefan Wagstyl in Tokyo

DAIWA BANK of Japan is to buy the US commercial banking business of Britain's Lloyds Bank in a deal which marks a further retreat by UK banks from the US and extends the advance of Japanese banks there.

The sale is worth about $200m and will be completed early next year.

Lloyds is selling a loan portfolio consisting of $1.5bn of loans to small and medium sized US companies, plus a further $1.5bn in off balance sheet commitments such as letters of credit and guarantees.

The business, which consists of 15 offices located in various parts of the US employing 170 staff, earned $11m after tax in 1988.

The acquisition will enable Daiwa, the tenth-largest Japanese commercial bank, almost to double the size of its American asset portfolio and transform its existing network of three offices.

Mr Yuji Suzuka, a senior manager in the international planning division, said it was vital for the bank to enter the US market, the largest in the world: "We have to invest more staff and more money in the US."

Mr Brian Pitman, Lloyds chief executive, said the sale was consistent with the bank's policy of concentrating resources on mainstream activities which can make a significant contribution to its total business results.

The US business "has little linkage with our other activities," he said.

However, he stressed that Lloyds would maintain its multinational corporate, treasury and private banking businesses in the US as part of its worldwide strategy.

Lloyds, like two of the other four main UK clearing banks, has also sold its US retail banking businesses.

The latest sale will free about £80m of capital which will help boost Lloyds' capital ratios. The risk asset ratio, which was hit by Lloyds' recent decision to make large provisions against Third World debts, will rise by 0.6 percentage points to 9.3 per cent, compared with the internationally agreed minimum of 8 per cent.

By contrast, the acquisition highlights the determination of Japanese banks to penetrate the US corporate market.

Last week Dai-Ichi Kangyo Bank, Japan's largest, confirmed that it was negotiating to buy, for about $1.5bn, a stake in CIT Group, a leasing company owned by Manufacturers Hanover.

Several other Japanese banks have also bought leasing companies in the last two years, including Fuji Bank, Sanwa Bank and Tokai Bank.

Daiwa, which has one of the largest overseas networks of the smaller Japanese national banks, last year paid $60m for nine branches in Hong Kong belonging to Rainier National Bank of the US.

Lex, Page 20; London Stock Exchange, Page 41

MARKETS

STERLING
New York closing
$1.5705
London:
$1.57 (1.5385)
DM3.065 (3.0775)
FFr10.3475 (10.3775)
SFr2.645 (2.655)
Y229 (228.75)
£ index 91.3 (91.1)

GOLD
New York: Comex Dec
$365.7 (368.9)
London:
$(356½)

N SEA OIL (Argus)
Brent 15-day
$18.025 (+0.2) (Oct)

Chief price changes yesterday: Page 21

DOLLAR
New York closing
DM1.9515
FFr6.5825
SFr1.6840
Y145.73
London:
DM1.953 (2.00)
FFr6.59 (6.745)
SFr1.685 (1.725)
Y145.8 (148.7)
$ index 71.9 (73.1)
Tokyo close: Y146.43

US LUNCHTIME RATES
Fed Funds 8 11/12 %
3-mo Treasury Bills: yield: 7.86%
Long Bond: 100½
yield: 8.079%

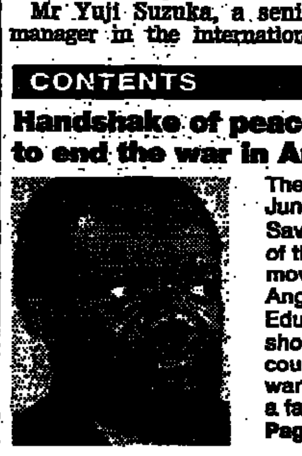
STOCK INDICES
FT-SE 100: 2,373.8 (+7.3)
FT Ordinary: 1,958.9 (+9.2)
FT-A All Share: 1,203.10 (+0.2%)
FT-A long gilt yield index high coupon: 9.53 (9.56)
New York closing
DJ Ind. Av. 2,687.50 (+12.92)
Tokyo: Nikkei 34,472.54 (+70.68)

LONDON MONEY
3-month interbank: closing 13 29/32 % (13 31/32)

SELLING PRICE IN IRELAND 60p, IN MALTA 40c

CONTENTS

Handshake of peace that failed to end the war in Angola



The handshake last June between Jonas Savimbi (left), leader of the rebel Unita movement, and Angola's President Eduardo dos Santos should have ended the country's 14-year civil war. But it has proved a false dawn.
Page 4

BONN DEFENCE MINISTER FEARS COMPLACENCY IN DEALINGS WITH MOSCOW

Stoltenberg warns of 'gullibility'

By David Marsh in Bonn

MR Gerhard Stoltenberg, the West German Defence Minister, warned yesterday against "gullibility" and "lack of risk consciousness" in the West's dealings with the Soviet Union, in a speech clearly aimed at warding off complacency in Bonn over relations with Moscow.

In a speech in Bielefeld, Mr Stoltenberg coupled a call for western economic help for reform-minded governments in eastern Europe with a plea for readiness to face up to possible "negative consequences" for European security in coming years.

Mr Stoltenberg, the former Bonn Finance Minister, has tried to bring an extra infusion of political realism and economic rigour into the defence ministry since taking over in April.

Claiming yesterday that the Federal Republic's closing of ranks with the West over the past 40 years had helped make perestroika (restructuring) and glasnost (openness) possible, Mr Stoltenberg issued a strong call against confusing "hopes with realities" in policies towards the East.

Referring to wrangling in West Germany over the military consensus within Nato, Mr Stoltenberg said: "A secure defence capacity determines the framework of our arms control policy and remains the basis of our political response to the East."

Mr Stoltenberg said that changes in eastern Europe, in particular the "crises" in the Soviet Union and Poland, were not a result of convergence between the capitalist and communist systems. Instead, they stemmed from "the failure of communist ideology and dominance."

Pointing out that the introduction of perestroika had not prevented the distribution of goods in the Soviet Union from getting even worse recently, Mr Stoltenberg said the move towards reform in eastern Europe was the consequence above all of "dramatic economic crisis."

This was also the main factor behind the efforts of Mr Mikhail Gorbachev, the Soviet leader, to cut back defence spending through arms control accords.

None the less, Mr Stoltenberg cautioned against the view that Europe was entering a "post-communist era". The Soviet leadership was still emphasising "ideological continuity" with the past.

Implicitly referring to the delicacy of recent events in East Germany, Mr Stoltenberg also stressed that "periods of setbacks, or external and internal toughening" could not be excluded as part of the general risks of eastern reform.

Wage rises fuel Poland's economic crisis

By Christopher Bobinski in Warsaw

A ROUND of wage increases falling due to teachers, doctors and other occupations financed directly from the budget threatens to bankrupt the Polish Government unless it immediately finds new sources of funds.

The financial crisis which has hit the new Solidarity-led administration is the legacy of almost three months of administration by the previous Government which was in no state to resist wage demands fuelled by a sharp 50 per cent rise in inflation during August.

Tax payments by companies have been falling off, further depleting Treasury funds and the Government has already said it will be tightening tax screws on state sector and private company profits. It may even go as far as imposing retroactive taxes as it can no longer go to the central bank for further funds.

The search for funds this week came as the Polish authorities started talks with a mission from the International Monetary Fund, headed by Mr Massimo Russo who wants to examine Poland's plan for tightening economic policy.

This week too Poland will be signing a formal economic agreement with the EEC which pledges Brussels to remove the majority of quota restrictions on Poland's exports over the next five years.

Another element of the Polish government's bid to stem the country's slide into hyper inflation is planned to change the formulas governing the automatic linking of wage rises to price increases forced through by Solidarity, when it was in opposition, in July.

Then the movement demanded automatic increases linked to the rise in prices regardless of whether workers had won wage increases independently of the indexation mechanism. Now the government intends to automatically increase wages only in those cases where incomes have failed to match price rises.

In August even though prices rose by 50 per cent and overall income rose by 36 per cent wages earned by industrial workers almost doubled.

Communists warned of new role, Page 3

VW regains lead in European sales

By Kevin Done, Motor Industry Correspondent

THE Volkswagen group of West Germany has ousted Fiat of Italy from the leadership of the West European new car market after the first eight months of the year, according to preliminary industry estimates.

VW, which includes Audi and Seat, is set to maintain its supremacy in Europe for the fifth year in succession, after narrowly defeating a determined Fiat challenge last year.

Fiat led the European new car sales league in the first half of the year, but its position has been undermined by a weakening of the overall market in Italy in August and by a surge in Volkswagen and Seat sales in the big European volume markets.

Overall West European new car sales in August were 2.9 per cent higher than a year ago at 1.196m.

The strength of demand has continued to defy industry forecasts of an imminent downturn, although the rate of growth in new car sales is slowing.

Sales for the first eight months at 9.47m were 5 per cent higher than a year ago, according to industry estimates, and are set to reach a record level for the fifth successive year.

European new car sales in August are heavily dominated by the UK, which accounted for around 42 per cent of the total market, as sales are concentrated into a single month by the change of the registration number prefix.

UK new car sales in August were 4.8 per cent higher than a year earlier and exceeded the half million barrier in a single month for the first time, at 500,112.

In August alone sales were lower than a year earlier in six of 17 markets across West Europe: Italy, Spain and Portugal and the Scandinavian markets of Denmark, Sweden and Norway.

For the first eight months, however, sales were higher in all of the five big volume markets – West Germany, Italy, the UK, France and Spain. New car sales were lower in only four markets, Sweden, Denmark, Norway and Portugal.

The sharpest rise in demand has come from the tiny Irish market, where Japanese makes control around 40 per cent of sales, with an increase of 26.9 per cent in the first eight months, while sales have fallen most sharply in Norway – 28 per cent.

Despite growing fears in the European car industry about the impact of Japanese car makers in the single European market from the end of 1993, the volume of Japanese car sales was virtually unchanged in the first eight months at 1.021m.

The Japanese share of the total West European market has fallen to 10.8 per cent from 11.3 per cent a year ago, with a fall in sales volume by Toyota, Honda and Mazda.

The Fiat group, which includes Lancia, Alfa Romeo and Ferrari and which had led the European market for the first seven months of the year, has achieved the lowest sales growth of any of the big six volume car makers, an estimated increase of only 4.2 per cent.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-August 1989

	Volume (Units)	Volume Change (%)	Share (%) Jan-Aug 89	Share (%) Jan-Aug 88
TOTAL MARKET	9,470,000	+5.0	100.0	100.0
MANUFACTURERS:				
Volkswagen (incl. Audi and Seat)	1,398,000	+7.1	14.8	14.5
Fiat (incl. Lancia & Alfa Romeo)	1,389,000	+4.2	14.7	14.8
Peugeot (including Citroen)	1,215,000	+5.9	12.8	12.7
Ford	1,120,000	+7.1	11.8	11.6
General Motors (Opel, Vauxhall)	1,031,000	+8.0	10.9	10.6
Renault	960,000	+6.9	10.1	10.0
Rover	307,000	−6.0	3.2	3.6
Mercedes-Benz	297,000	−4.0	3.1	3.4
Nissan	286,000	+5.2	3.0	3.0
BMW	279,000	+14.4	2.9	2.7
Toyota	238,000	−2.3	2.5	2.7
Volvo	184,000	−1.1	1.9	2.1
Total Japanese	1,021,000	+0.0	10.8	11.3
MARKETS:				
West Germany	1,944,000	+2.3	20.5	21.1
United Kingdom	1,748,000	+8.8	18.5	18.1
Italy	1,636,000	+7.5	17.3	16.9
France	1,520,000	+7.2	16.0	15.7
Spain	778,000	+6.9	8.2	8.1

Source: Industry estimates

Swiss trade deficit at record

By John Wicks in Zurich

THE Swiss foreign-trade deficit reached a monthly record in August, reaching a level of SFr1.44bn (£544m). This was more than double the deficit for July. The previous peak, of SFr1.21bn, was registered in August last year.

Although nominal exports were up 10.9 per cent for the year to SFr5.63bn, imports rose faster – at a rate of 12.4 per cent – to SFr7.07bn. Growth in both instances was due largely to higher prices.

It now seems possible that the trade gap for the year as a whole will exceed the previous high of SFr11.25bn experienced in 1980. For the first eight months of this year, the visibles deficit was already up by as much as 38 per cent over the corresponding period of 1988 to some SFr8bn.

This development reflects the weakening of the Swiss franc in trade-weighted terms. In recent years, import prices had been kept low by the strength of the national currency. The same exchange-rate situation is partly responsible for Switzerland's rising inflation rate, now at an annual 3 per cent.

Despite the widening trade gap, Switzerland will continue to show a substantial surplus on current account.

EC warning on 1992 directives

By David Buchan in Brussels

THE European Commission yesterday threatened to propose a more swingeing type of centralised EC legislation, unless member states improved their sorry record in writing 1992 directives into national law.

Mr Martin Bangemann, the EC internal market commissioner, said he was "sounding the alarm" because, of 68 single market directives which should have been in effect this year, only seven had been written into national law.

He warned that the Commission might have to consider replacing directives, which set a framework for national governments to transpose into their own laws, with regulations.

The latter, once agreed by the twelve member states in Brussels, take automatic effect as overriding EC law the minute they are published in the Community's official journal.

The threat of Mr Bangemann, who said the Commission had always preferred the more decentralised approach, may be empty. In the Single European Act, setting the 1992 proposals in train, the Commission promised to use directives rather than regulations. But the very wielding of the threat is a measure of Commission impatience.

A Commission report, presented to ministers yesterday, criticises Italy and Greece especially for failing to implement legislation and for ignoring Court of Justice attempts to spur them into action.

Britain, along with France, Denmark and the Netherlands, have the best record on implementation, according to the report.

Mr John Redwood, junior minister at the UK Department of Trade and Industry, yesterday applauded the Commission intention to publish a score card on national implementation every six months.

W German carbon dioxide output rises

By David Goodhart in Bonn

WEST GERMANY last year released into the atmosphere 798m tonnes of carbon dioxide, one of the main contributors to the "greenhouse effect", compared with 740m tonnes in 1986.

Mr Klaus Töpfer, Environment Minister, revealed these figures while presenting the Federal Environment Office's annual report. He said 28.7 per cent came from industry, 24.2 per cent from households and 21.8 per cent from transport.

Although no practical way of filtering carbon dioxide emissions has been found, Mr Töpfer said the total could be reduced by 100m tonnes with better home insulation.

The introduction of a 100 kph speed limit on motorways would reduce emissions by only 8.1m tonnes a year, but the minister remained open-minded on this increasingly controversial aspect of environmental politics.

He also tentatively proposed a carbon dioxide duty to encourage energy saving. However such a proposal is unlikely to become government policy in the near future; the recent party conference of the governing Christian Democratic Union rejected a motion proposing tougher environment duties.

Sulphur emissions which can be filtered have been reduced from 2,900 kilotonnes in 1982 to 2,200 at the end of 1986 (power stations cut emissions from 1,800 to 1,350 over the same period).

The report says the destruction of forests has only been slowed down by tighter emission controls and that 52 per cent of West German forest is now damaged.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societats-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL. © The Financial Times Ltd, 1989.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935335.

Soviet Union suspends purchase of grain abroad

THE Soviet Union has suspended grain purchases abroad while it starts paying its farmers in foreign currency for above-average production, the head of the grain-buying agency Exportkhleb said yesterday, Reuter reports from Moscow.

"At the present time we are not going to buy anything. We will buy from our state and collective farms," Mr Oleg Klimov said when asked whether Moscow would buy any more grain abroad this year.

The Soviet Union, the world's largest grain importer, said last month it would start paying grain farmers partly in foreign currency to slash agricultural imports and boost domestic production.

The prices paid to Soviet farmers will be well below the world market price, helping Moscow save money even in the extremely unlikely event that its own farmers produce enough to make grain imports unnecessary.

But the programme is still expected to be a powerful incentive to farmers, who will be able to use the foreign currency to buy everything from agricultural machinery to video recorders for collective farm sitting rooms.

Last year's grain harvest was 195m tonnes, but analysts say the Soviet Union needs at least 230m tonnes to be self-sufficient in grain.

This year's harvest is 95 per cent in and yields are running well ahead of last year's, but the US Agriculture Department still estimates the crop only at 200m tonnes.

Authorities are just starting to implement the plan to pay above-average producers in foreign currency and Mr Klimov said it was difficult to say whether Moscow would go shopping again on world grain markets before the end of 1989.

"The main task is to buy from the state and collective farms and it is difficult to say when we will finish. It could be two months, three months, four months, I cannot say," Mr Klimov said.

"It is the first year we have done this and therefore we have no experience. Anyhow it is fairly long-term," he said.

Moscow has met all its grain purchase commitments abroad for this year, Mr Klimov said. The US, Canada and Western Europe are the Soviet Union's main suppliers.

But he declined to say how much grain the Soviet Union had bought in 1989.

According to the US Agriculture Department, as of August 31 Moscow had bought a record 21.7m tonnes of wheat and maize from the US during the year which ends on September 30.

That more than meets the terms of the superpower grain pact, which expires in December 1990. But sales to the Soviet Union have been sluggish since late June, puzzling traders.

Mr Klimov denied that Exportkhleb had run out of foreign currency with which to buy grain.

E German churchmen join attack on leaders

By Leslie Colitt in Berlin

EAST Germany's conservative leadership, embarrassed by the recent flight to the West of nearly 16,000 citizens, yesterday faced a rising tide of opposition by church officials and laymen.

Bishop Werner Leich, chairman of the East German Protestant Church Federation, told a synod in Eisenach yesterday that the present "tutelary" relationship between the state and population must be changed to one of partnership.

He spoke in favour of far-reaching economic reforms and welcomed the founding of new opposition groups.

One of them, the New Forum, formed last week, said it would attempt to obtain official registration this week in East Berlin and six other East German cities as the first countrywide opposition organisation.

The authorities have in the past refused to legalise independent groups, and a senior East German official indicated that the Communist Party would reject the dialogue demanded by the opposition.

Bishop Gottfried Forck of the Protestant Church in Berlin-Brandenburg criticised the undemocratic municipal elections held last May and called for a "transparent" election law in remarks to the synod.

The flight of East Germans to the West dominated discussion at the synod. Two churchmen levelled attacks at both East Berlin and Bonn for exacerbating the exodus. They criticised West Germany for refusing to recognise East German citizenship and said speeches by West German politicians about reunification only solidified the borders.

Polish Communists warned of their new role in government

By Christopher Bobinski in Warsaw

THE Central Committee of Poland's confused and bitter Communist Party, which lost its dominant role in government last month, heard yesterday that from now on it was only one of many political forces in the country and that its future depended on being able to win the support of the electorate.

The abandonment of the dogma that the Communist Party plays a leading role in the country, which is also soon to be dropped from the constitution, came in a keynote speech at a Central Committee meeting yesterday delivered by Mr Leszek Miller, a Politburo member.

Mr Miller also warned the 200 or so members who were elected in 1986 in entirely different circumstances that the new Solidarity-led coalition government had to have their support, as failure by Mr Tadeusz Mazowiecki, the Premier, would bring "extremists to the fore" and these would then turn on the Communist Party itself.

Yesterday's meeting was due to call a referendum of the party's 2m members on how the next party congress was to be organised and how far it should go in changing the party's statute programme and name.

Mr Miller said in his speech, which Western reporters were allowed to listen to for the first time as it was being delivered inside party headquarters, that the party needed to be transformed but not radically demolished.

Indeed, Mr Mieczyslaw Rakowski, who was elected party leader last month, seems intent on holding off demands from inside the party for a congress immediately. He wants to wait till next spring, when the first results of the government's policies will have begun to emerge.

In the meantime, though, Mr Miller said the Communist Party and Solidarity "had to find a modus vivendi".

The new government contains four Communist Party members, including the ministers of defence and the interior.

Defending his unprecedented decision to admit the press, Mr Rakowski said at the start of proceedings: "We want the party to function in the open. There is no reason to limit the press presence in the initial part of our debates."

The committee responded with muffled applause when the party leader, himself a former journalist, enquired, "Do you agree to the press presence here? Yes?"

Earlier a plainclothes security guard had refused to admit reporters.

"I can't believe it," a Reuter reporter quoted the guard as saying when told that it was a politburo decision to let the Western press representatives attend.

Deal on Hungarian presidency expected

By Judy Dempsey in Budapest

TALKS between the Hungarian Communist Party and the opposition should reach a crucial point this week, with the Hungarian Democratic Forum (HDF), the largest opposition group, expected to swing behind the ruling party over the key issue of how a new president is to be chosen.

In return – under the terms of a deal being sketched out between the HDF and the Communists – the way could be opened for an HDF nominee to become the Warsaw Pact's second non-Communist Prime Minister, after Poland's Mr Tadeusz Mazowiecki.

Mr Imre Pozsgay, who represents the Communists at the talks and is expected to run as president himself, has insisted that a head of state be elected in a nationwide vote before next year's contested parliamentary elections.

For weeks, the opposition, which consists of nine independent groups, has argued that the president should be chosen by the new Parliament.

But it now appears that Mr Pozsgay has proposed a bargain with the HDF. In return for HDF backing for the Communist Party's proposals on the presidential elections – and in effect endorsing his candidature – Mr Pozsgay has indicated that he could offer the HDF the premiership.

The back-room manoeuvring has soured the atmosphere of the round-table talks and divided the opposition.

If Mr Pozsgay manages to win the support of the HDF, the chances of the opposition forming coalitions, or working together during the parliamentary election, will be reduced.

Mr Pozsgay, who has adopted a tough stance at the round-table talks, fears any new Parliament could put up a non-communist president.

The bitter infighting follows yet another heavy defeat for the Communists at a by-election in Zalaegerszeg at the weekend. Mr Gyula Marx, the HDF candidate, won 59 per cent of the vote while Mr Istvan Gyorffy, for the Communists, won 32 per cent.

Bomb in the post for French unions

William Dawkins on the explosive issue of reforming France Telecom

MR PAUL Quilès, France's Minister for Post and Telecommunications, is walking a tightrope.

The balancing act he has to perform is between the need to introduce a measure of reform to the country's centralised telecommunications service, and the need to avoid at the same time a clash with its powerful union structure.

In France, that is a difficult trick. The months that follow should bring to a climax a sensitive year-long debate over how France Telecom is to improve its competitiveness enough to hold its own in the liberalised telecommunications industry that the European Community is creating in its 1992 single market programme.

What has provoked all this is the recent publication of an independent report commissioned by the Government from Mr Hubert Prévot, former head of France's national planning agency. He recommends that the 435,000-strong post and telecommunications services should be split into separate bodies with some financial and strategic independence, rather than being departments of Mr Quilès' ministry as now.

The rest of the report is vague, a long way short of the degree of telecommunications liberalisation in other European countries such as Britain and more recently West Germany. But in between the lines, it is larded with pure dynamite, to judge from the French union outcry that followed.

They see it as a sneak privatisation plot. And they have the sympathy of Mr Lionel Jospin, the Government's Education Minister, who has said he wants the report buried.

Mr Michel Rocard, Prime Minister, and Mr Quilès deny any such plans, but argue there is no need to defend an archaic and possibly destructive status quo.

Senior management at France Telecom have kept diplomatically quiet, but it is well known that they see the report as a possible step towards turning themselves from a government department – with all the restrictions and political uncertainties that this carries – into a semi-independent state-owned company such as Air France or the national railways.

Sometime in the next few months, the Government will have to make up its mind whose side it is on, certainly in time for the proposals on the future of public telecommunications it has promised by next March.

It will clearly not be an easy decision. An angry communist-led CGT trade union federation boycotted Mr Quilès' first attempt to consult the unions, to be renewed on October 3. In the meantime, the minister has promised that there will be no job losses, at least in the post office, and tabled a system of results-linked wage incentives and retraining schemes in an attempt to soften unions' fears.

Those are the battle lines. The process that led to them began in early 1988 when Mr Gerard Longuet, the posts and telecommunications minister in the previous right-wing government, gave France Telecom its present name, changed from Direction Générale des Telecommunications, as a symbolic first step towards putting it on a more commercial plane.

He also set up a separate office for regulating the service, but left them both under the control of his ministry, far short of the independence regulators at Britain's Oftel maintain in their relations with British Telecom.

What Mr Quilès is now limbering up for is a softened Socialist version of the telecommunications reform that the right-wing Mr Longuet failed to achieve.

At European level, he is being driven by two EC directives designed to weaken the hold of state monopolies over the supply of telecommunications equipment and services. There is nothing in this to oblige Paris to split the post office and France Telecom.

Yet the competition the EC rules will unleash will make it hard for France to continue to live in the European minority, with Denmark and Luxembourg, who keep their posts and telecommunications offices in the same organisations.

What the EC directives will oblige France to do is to allow private operators to provide value added services in competition with the state at first, followed by basic data communications services from 1993. At present, the Paris Government countenances limited competition for value added services.

France has led the European opposition against EC telecommunications liberalisation, being the ring-leader among the group of five member states now taking the European Commission to court for allegedly overstepping its powers in unilaterally imposing equipment liberalisation on member states. This scheme, already in force, guarantees free competition for terminal equipment, from telephone handsets to fax machines.

French telecommunications officials claim to be ahead of the pack here, having liberalised equipment sales three years ago. They object to the Commission's high-handed political style rather than the aim of the scheme.

However, critics maintain that covert protectionism is still rife in the form of restrictive type approval procedures, import quotas and price controls which mean that basic equipment such as telephone answering machines can cost two to three times more in France than in more liberalised markets such as that of the US.

At the domestic level, Mr Quilès could count on the support of Mr Rocard for a gentle dose of telecommunications reform. He could certainly count on the support of France Telecom's top management, who feel they can do without the double burden of having to pay VAT on their profits while at the same time having their budget as a government department raided regularly for other purposes – such as space research – by the Ministry of Finance.

All this seriously restricts France Telecom's ability to invest and plan for new products, especially when it is unable to raise cash on the capital markets in a way that it might be able to do if freed from the ministry's clutches, the argument goes.

The counter argument, posed by the unions and some parts of the Government, is that French telecommunications have always done well under central control and would continue to do so. They hold up as a prime example the success of the fast-growing Minitel public videotext service.

However, the ministry's policy of providing Minitel terminals free to subscribers has recently been criticised as a waste of taxpayers' money by the Cour des Comptes, France's public financial watchdog. That might provide more ammunition for the liberalisers.

But whatever the pressures, it can be guaranteed that this French Government will proceed with extreme caution and gentleness on telecommunications reform.

OVERSEAS NEWS

Rabin supports Mubarak efforts on peace talks

By Hugh Carnegy in Cairo

MR YITZHAK RABIN, Israel's Defence Minister, gave his clear backing to Egyptian efforts to convene Israeli-Palestinian peace talks after conferring in Cairo yesterday with President Hosni Mubarak.

Invited by President Mubarak as the Israeli minister best placed to move the peace process forward, Mr Rabin spent more than two hours with the Egyptian leader at his palace in the Cairo suburbs.

The Labour Party minister's trip provoked speculation in Israel about the future of the uneasy coalition between Labour and the right-wing Likud. Mr Mubarak's peace proposals have been rejected by Mr Yitzhak Shamir, the Prime Minister and Likud leader, who warned last night of danger to the coalition.

Mr Rabin said he believed there was a broad readiness in Israel to accept the Egyptian initiative. He accepted that if the basis for negotiations was agreed, invitations for talks in Cairo would be issued by Egypt, and that Egypt would announce the names of the Palestinian delegation.

The problem for Mr Rabin and President Mubarak is to overcome what Mr Rabin described with under-statement as "certain problems" arising from the stance of Mr Shamir and Likud.

Likud, the senior partner in the Israeli coalition, insists that only Israel's own peace initiative, which proposes elections in the occupied territories leading to a form of Palestinian self-rule, can form the basis of negotiation. Likud also rejects any participation in talks of Palestinians from outside the territories, especially those associated with the Palestine Liberation Organisation.

But Mr Rabin and Labour have welcomed President Mubarak's 10-point response to the Israeli plan specifying additional conditions, notably that Israel accept the principle of exchanging land for peace and that the Palestinian negotiating team include figures previously deported by Israel.

President Mubarak, describing his talks with Mr Rabin as very fruitful, said he believed it was very important that Palestinians from outside the occupied territories be included "to avoid any problems in the dialogue".

Asked why he invited Mr Rabin – not Mr Shamir – to Cairo, he said he would seek a meeting with Mr Shamir only when there was something to agree on.

By concentrating the attention on Mr Rabin, the Egyptians seemed to be attempting to put pressure on Mr Shamir. President Mubarak is to visit the US shortly where he will meet Mr Shimon Peres, the Israeli Labour leader.

Mubarak, left, welcomes Rabin for talks in Cairo yesterday

Talks and tanks close in on the Savimbi Trail

Angola's war reaches a crucial point as summit seeks to patch up peace deal, writes **Rowlinson Carter**

THE HANDSHAKE last June between President José Eduardo dos Santos of Angola and Jonas Savimbi, leader of the country's rebel Unita movement, should have marked the end to a 14-year civil war.

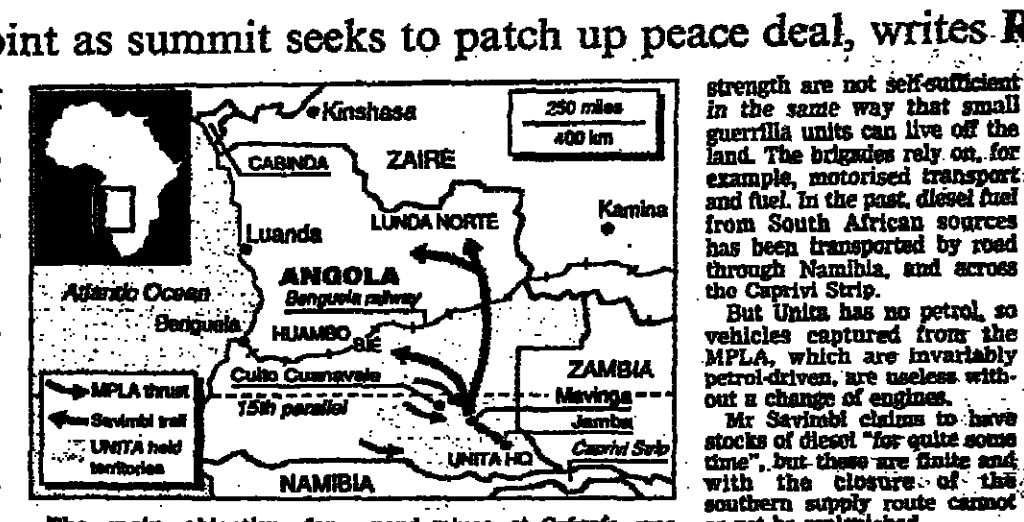
It proved a false dawn. The ceasefire agreement, signed at President Mobutu Sese Seko's home village of Gbadolite in northern Zaire, never held. The protagonists are back on the battlefield, and the African leaders who met in Kinshasa yesterday will be hard pressed to get them back to the negotiating table.

Which party broke the fragile agreement is not clear. But at the heart of the breakdown is a disagreement over a key provision: did Mr Savimbi agree to go into exile, as Zambia's President Kenneth Kaunda and some other African leaders claim? Or did he merely accept that while he would not be part of a two-year transitional coalition government, he intended to lead Unita in the multi-party elections the rebels demand? The Kinshasa summit has to resolve this.

Meanwhile the war resumes, but with a *crucial difference*. Both sides are in the process of losing their main allies: some 50,000 Cuban troops are undertaking a phased withdrawal from Angola in return for Namibia's independence. Those troops who have yet to leave for home are remaining north of Angola's 15th Parallel, and show no sign of entering the fray. At the same time, Namibia's UN-monitored transition to independence has meant that Pretoria's backing for Unita – including vital air support – from bases in northern Namibia is ending.

The military balance is thus delicately poised. But what may be critical to the outcome of the resumed conflict is the battle to control a strategic supply route known as the "Savimbi Trail", the corridor which links the Unita stronghold of Jamba in the south-east, with the contested central and northern areas, where the government is vulnerable to military pressure.

Mr Jonas Savimbi, leader of the right-wing Unita, stayed away from a peace summit in Zaire yesterday intended to revive the collapsed ceasefire in Angola's 15-year civil war, Reuter reports from Kinshasa. Eight central and southern African heads of state convened their summit without Mr Savimbi, on board President Mobutu Sese Seko's yacht on the Zaire River at N'Sele, about 50 km from Kinshasa.



The main objective for Angola's MPLA government is to cut this trail. Hence recent reports that 3,000 government troops, supported by 25 tanks, have tried to move out of the Cuito Cuanavale area and take the town of Mavinga.

Almost bisecting the country is the Benguela railway, closed to through-traffic since Angolan independence in 1975, but a powerful factor in the MPLA and Unita attempts to court the support of Zambia and Zaire. For both these countries, the line represents the shortest *and cheapest route to the sea* for copper exports, their main foreign exchange earner.

Unita have also encroached on the diamond areas in Lunda Norte Province. Last month, the last of the functioning diamond mines, at Cafunfo, was forced to close.

The next Unita target is logically Angola's oil industry, responsible for 90 per cent of export earnings. There are indications of increased guerrilla activity in the Cabinda enclave.

The past 14 years have shown that as a guerrilla force Unita would be difficult, if not impossible, to eradicate, although not strong enough to win the country. Some of the 74,000 fighters now form a regular army, theoretically capable *of taking and holding* towns, possibly even laying siege to the Angolan capital, Luanda.

But this development poses its own problems, however. Forces operating at brigade strength are not self-sufficient in the same way that small guerrilla units can live off the land. The brigades rely on, for example, motorised transport and fuel. In the past, diesel fuel from South African sources has been transported by road through Namibia, and across the Caprivi Strip.

But Unita has no petrol, so vehicles captured from the MPLA, which are invariably petrol-driven, are useless without a change of engines.

Mr Savimbi claims to have stocks of diesel "for quite some time", but these are finite and, with the closure of this southern supply route cannot as yet be replenished.

The US, which has taken over from South Africa as Unita's main backer, is willing to fly in what it can from the Kamina air base in Zaire. Unita has several bush airstrips capable of handling aircraft as large as the C130 Hercules, but they are deep in Unita territory and therefore a long way from where their cargoes would be needed.

The politics of US aid are also complicated. Washington encouraged Mr Savimbi to attend the meeting yesterday, but there is a limit to the pressure the US can bring to bear, for the Unita leader enjoys substantial support in Congress.

President Kaunda and President Mobutu have also to be cautious in their use of pressure, as Mr Savimbi has cards to play. Zambia's economic problems could be eased if the Benguela railway were functioning. This will only happen if there is an MPLA accommodation with Unita.

Mr Savimbi has different tactics for President Mobutu, who faced two attempts – in 1977 and 1978 – by Angola-based exiles to take over Zaire's southern copper province of Shaba. The Unita presence along the Angola-Zaire border could readily be allied with the strong anti-Mobutu sentiment found in Shaba.

A key piece in this complex geo-political jigsaw is the US-supplied ground-to-air Stinger missile. There is some doubt about their availability, first offered in 1986. After disagreement between the Pentagon and the State Department over the wisdom of supplying them, a consignment eventually left the US. Some missiles, at least, may have got no further than South Africa.

Unless the Stingers have materialised in the past few weeks, however, Unita troops are exposed. If the MPLA were to repeat its so far unsuccessful assault on Mavinga, with increased air support, it may prove one of the war's most important battles.

Rowlinson Carter is a freelance journalist who has recently returned from southern Angola

UAE trade surplus falls by 28%

By Hunter Reynolds in Dubai

THE United Arab Emirates' trade surplus fell last year by 28 per cent, according to the country's central bank.

The bank's annual economic report said the surplus fell from Dirhams 19bn (£3.4bn) in 1987 to Dirhams 13.7bn in 1988.

A sharp increase in imports was largely responsible for the narrowing surplus, the central bank said. The value of imports surged by more than 20 per cent to Dirhams 31.3bn, helped by an upturn in economic activity following the end of the Gulf War in August. Local sources add the UAE was also hit by the low value of the US dollar: the dirham is pegged to the dollar while the bulk of its imports comes from the European Community and Japan.

The overall value of exports remained static at Dirhams 45bn despite a 12 per cent fall in value of petroleum products. The downturn in oil prices was largely compensated by increased volume of oil exports, according to oil industry sources. Throughout 1988, the UAE consistently produced 20-30 per cent above its Opec quota of 948,000 barrels per day, the industry says.

Non-oil exports rose marginally to Dirhams 5.4bn, helped by an upturn in aluminium prices.

Re-exports, which are an important element of the UAE's economy and in particular of the Emirate of Dubai, were also up. The value of re-exports rose by 13 per cent to Dirhams 7.6bn, up from Dirhams 6.66bn the previous year.

Meanwhile, currency flows out of the UAE fell sharply, reflecting increased confidence in the local economy following the end of the Gulf War. Cash transfers from the UAE fell to Dirhams 2.93bn from a high of Dirhams 8.26bn in 1987. This was also helped by the appreciation of other Arab currencies against the dirham which stemmed the flow of transfers from expatriate Arabs working in the UAE.

Lebanese leader spurns Arab League proposals

By Lara Marlowe in Beirut

GENERAL Michel Aoun, the Lebanese Christian leader, has taken a hard line against the peace proposals put forward at the weekend by the Arab League.

Yesterday artillery bombardments continued in defiance of the Arab League's ceasefire appeal, and at least six more civilians were killed.

The shelling began 90 minutes after a television appearance by Gen Aoun, in which he reverted to his hardline position of refusing to consider political reforms before a Syrian withdrawal from Lebanon. Such reforms are likely to give Lebanon's Moslem majority greater political power.

"Reforms are a trap which will not bring back (Lebanon's) sovereignty," said Gen Aoun.

He made clear his opposition to the Arab League plan by rejecting its suggestion of an inter-Lebanese security committee to halt arms shipments. In view of the continuing shelling in Beirut, the Arab League communique is now being interpreted to mean that the ceasefire will take effect only when the security committee – rejected by Aoun – is in place.

To manifest his displeasure with the League's Jeddah communiqué, which one of Gen Aoun's aides said did not represent the content of earlier negotiations, the general postponed by 24 hours his appointment with Mr Lakhdar Ibrahimi, the League's special envoy. Mr Ibrahimi is in Beirut to arrange a venue for a special session of the Lebanese parliament and to set up the security committee.

Mr Ibrahimi and Gen Aoun apparently could not come to an agreement when they met yesterday and are to renew talks today.

Gen Aoun, who spoke of a Syrian-Israeli-American "conspiracy of several layers, like a club sandwich", appears increasingly isolated. With the sole exception of his Iraqi backers, the Arab countries, his Lebanese opponents, the United Nations, the US, the Soviet Union and France have endorsed the Arab League tripartite committee's seven-point plan to end the conflict that has killed 921 people and wounded 2,713 others since March.

Algerian Cabinet reflects Chadli's desire to reform

By Francis Ghilès

THE determination of Mr Mouloud Hamrouche, Algeria's new Prime Minister, to pursue radical political and economic reforms to pull the country out of crisis and restore public trust in the government is borne out by the list of ministers he presented to President Chadli Bendjedid at the weekend.

Most of the 23 ministers have never held a portfolio before and most are young, highly qualified and respected professionals – often doctors or technicians who have been in charge of state companies. Less than half are members of the central committee of the ruling Front de Libération National (FLN).

Mr Hamrouche has for the past three years held the key post of secretary-general of the presidency and as such, played a key role in promoting the liberalisation of the country's state-controlled economy, a policy promoted by the head of state but opposed by many FLN stalwarts. He was appointed ten days ago, after Mr Chadli had sacked Mr Kasdi Merbah, whose attitude to the reforms was felt to be lukewarm at least.

Mr Merbah, who was the much feared head of internal security throughout the 1970s, was appointed Prime Minister in the wake of the riots last October which had seen the worst violence in the country since independence in 1962.

Three members of the Cabinet are of particular interest. The appointment of a judge, Mr Mohamed Salah Mohamedi, to the Interior Ministry is symbolic of the President's wish to promote the rule of law. The Ministry of Economic Affairs goes to Mr Ghazi Haidouci who, since 1986 has acted as team-leader of a group of economic reformers in the presidency.

This group has played a vital role in trying to develop ideas in a broad range of sectors, not simply economic affairs. They have also battled to break down the stranglehold of the old FLN marxist guard over many walks of Algerian life.

Mr Sid Ahmed Ghozali, the Minister of Foreign Affairs, has for the past ten months held the Finance portfolio, during which time he successfully concluded negotiations to raise funds from the IMF and refinance some of the country's trade debt.

He has also helped shape a more flexible gas export policy, something of vital importance as natural gas remains the country's most marketable commodity.

Throughout the 1970s, and before he fell victim to internal political infighting, Mr Ghozali was in charge of Algeria's oil and gas monopoly, Sonatrach. He is a widely known and respected figure in international business and diplomatic circles.

Two posts have disappeared from the Cabinet – information and culture. This is a highly symbolic act and it is true that over the past two weeks the Algerian media have broadcast and published information which would have been quite unthinkable only a month ago.

As October 5, the anniversary of last year's riots, approaches, the President has regained the political initiative. But, for the average Algerian, it is only when the supply and price of daily staples and cigarettes becomes more stable that he will really begin to believe things are changing.

UK minister urges fresh plan for boat people

By Michael Murray in Hong Kong

HONG KONG'S voluntary repatriation programme for Vietnamese boat people is unlikely to solve the problem by itself, and the international community must come up with a more effective solution, Mr Francis Maude, the British Foreign Office junior minister with special responsibility for Hong Kong, said yesterday while on a visit to the territory.

Mr Maude spent part of the second day of his scheduled three-day stay at the Hei Ling Chau detention centre, which houses around 3,500 boat people, where he toured kitchens and dormitories, briefly saw a soccer match in one of the recreation areas, and spoke through an interpreter with the boat people.

He stressed that the vast majority of the Vietnamese in the territory have no alternative but to return home, and noted that the few hundred who had so far gone back to Vietnam under the voluntary repatriation programme was a tiny number compared to those arriving in Hong Kong.

"It may well be that the numbers *will increase*," Mr Maude said, but added that it was "to the highest degree unlikely that it will solve the problem fully".

There is considerable popular pressure locally for the introduction of some sort of forced repatriation, but Hong Kong has encountered opposition from countries such as the US against any such move.

Hong Kong legislators have pointed to what they see as an inconsistency in the US position, in being reluctant to accept boat people originating from North Vietnam, but at the same time refusing to support forced repatriation, leaving large numbers of the boat people caught in a no man's land of detention centres in Hong Kong.

The colony's Vietnamese population currently stands at 56,000, of which over 32,000 have arrived this year. In June 1988, the Hong Kong Government introduced a screening policy for all new arrivals – most of whom are from North Vietnam – which seeks to divide the boat people into those deemed to be genuine refugees fleeing persecution, and so-called economic migrants.

Over 90 per cent are likely to be classified in the latter category, and will be held in closed camps before eventually having to return to Vietnam.

Mr Maude yesterday with Vietnamese refugees at Hei Ling Chau camp

Seoul trial disrupted by defence protests

By Maggie Ford in Seoul

THE FINAL DAY of the trial of the Reverend Moon Ik Hwan, the South Korean clergyman who made a clandestine visit to communist North Korea, was disrupted yesterday by defence protests about the fairness of the judges.

Mr Moon, whose illicit visit created a political storm in South Korea earlier this year, has been charged with breaking the draconian National Security law which bans any contact with the North or "anti-state" organisations supporting Pyongyang.

Those convicted under the law could face the death penalty although a prison term is more usual. Also facing trial under the law at present are Mr Kim Dae Jung, leader of South Korea's parliamentray opposition, a Catholic priest, another MP and his aides, a woman student and several journalists.

Mr Moon's trial has been held in camera with no reports of the evidence available. He has pleaded not guilty to breaking the law, which he believes is designed to persecute those who seek democracy in South Korea and reunification.

At yesterday's hearing the prosecution was due to sum up its case, ask for a guilty verdict and suggest a sentence. But defence counsel refused to allow the proceedings to continue, state radio reported.

If the defence files a formal complaint about the judges' impartiality which is accepted by the court, the panel of judges would than be replaced, producing, in effect, a retrial.

The National Security law is one of the main targets for change by the opposition and is due to be debated at the current session of the National Assembly which started yesterday.

● President Roh Tae Woo has asked Mr Juan Antonio Samaranch, President of the International Olympic Committee, to help in negotiations between North and South Korea over sending a joint team to the 1990 Asian Games in Peking, it was reported yesterday.

Mr Samaranch was visiting South Korea on the anniversary of last year's Seoul Olympics. Mr Roh also announced the establishment of a $450,000 "Seoul Peace Prize" to be awarded every two years to groups or individuals who contribute to world peace and reconciliation.

Jordanians adjust to the novelty of open political debate

The forthcoming elections are seen as a necessary adjunct to economic reform, reports **Lamis Andoni in Amman**

AFTER a sleep of 22 years democratic politics are beginning to stir in Jordan, with unpredictable consequences within the country and implications elsewhere in the Arab World.

The campaigning for the first parliamentary elections since the 1967 war, due on November 8, has already begun and is sparking off open political debate, the like of which has not been seen in Jordan since the 1970 civil war.

The stakes are high: a successful Jordanian experiment with democracy might point the way towards a new kind of Arab politics, while failure *would be a serious blow to still*-embryonic attempts to build democratic institutions throughout the region.

*Above all, the elections are of cru*cial importance to Jordan's efforts to reform its economy, which has been in crisis for the past year, with rising *unemployment, rapidly increas*ing inflation and a heavy debt burden. Following price riots in a number of Jordanian cities in April *and a subsequent change removing* Prime Minister Zaid Rifai, the authorities appear to be convinced that economic restructuring needs to go *hand-in-hand with a measure of* political liberalisation.

Not, of course, that glasnost and perestroika have suddenly broken out under the 60-year-old Hashemite monarchy. Liberalisation is limited by structural and bureaucratic constraints built up in the absence of effective parliamentary life during more than two decades of martial law. Political parties remain banned and there are doubts as to whether committed political activists will be allowed to contest the elections. Moreover, election campaigns and meetings are subject to official restrictions.

But these prohibitions and the *strong grip of the influential* security apparatus have not prevented steady change since the government of Prime Minister Zaid bin Shaker, a *distant cousin of King Hussein*, was sworn in four months ago.

It was in response to public pressure that the king, ruler of Jordan *since 1953, pledged to hold parlia*mentary elections, allow a freer press and crack down on corruption. Evidently encouraged by these achievements, Jordanians have since kept up the pressure for genuine change involving the creation of checks and balances in government.

Individuals and *banned political organisations have been mounting* leaflet campaigns, attacking symbols of influence and wealth, lambasting corruption and calling for an end to curbs on political freedoms. "The trend calling for a genuine return to parliamentary life is overriding and nobody dares stand in its way," says Mr Taher al-Masri, the former deputy prime minister who has resigned to contest the elections.

'Glasnost and perestroika have not, however, suddenly broken out under the *Hashemite monarchy*. Liberalisation is limited. . . political parties *remain banned*'

Two weeks ago the Government released 62 political activists *detained during the riots in April*, a move which restored some popular confidence in official promises to guarantee free elections.

On the economic front, the newly-appointed central bank governor has moved swiftly to stabilise the dinar, while the Finance Ministry has just finalised tax reforms that would *relieve the tax burden on poorer Jor*danians. Just as importantly, the last few weeks have seen the fall from power of a number of figures whose influence was conspicuous under the previous government.

In August, the Government used martial law to take over Petra Bank, the country's third largest bank which was suspected of contributing to the dinar's fall through speculation. Mr Ahmed Chalabi, the bank's well-connected Iraqi founder, left the country in mysterious circumstances. Official investigations into the bank continue.

Mr Ali Ghandour, another important symbol of power and wealth and a close Lebanese associate of King Hussein, has resigned after running the official Jordanian air*line for 27 years; this was apparently* in response to public pressure. Mr Ghandour, however, was appointed special adviser to the King on aviation.

This month the resignation of Mr Abdul Hadi Majali, Jordan's powerful police chief and a member of one *of the country's most influential* clans, has been accepted.

This amounts to a minor revolution in Jordanian institutions which *had previously attracted public criticism. But the real test will be in the* election process. Around 2,000 Jordanians representing most political tendencies, including *some of Palestinian origin, have already* announced themselves as candidates to contest the 81 parliamentary seats.

Many politicians agree that a return to the 1953 constitution which guarantees political rights could provide the basis for national consensus. Last week a coalition of the banned Jordanian Communist Party and other left-wing groups, pan-Arab nationalists, together with some Islamic politicians and Liberals – comprising personalities who led the opposition in the 1950s and 1960s – issued a common programme which amounted to a call for a constitutional monarchy and the formation of a government that reflects public opinion.

The opposition's programme is in *marked contrast to calls* in previous decades for the overthrow of the monarchy. They apparently hope that their public commitment to the constitution would counter a provision contained in the 1986 electoral law banning members "who belong to unconstitutional groups" from running for the elections.

*"We demand a practical commit*ment to the constitution, we oppose military coups, or a takeover by Moslem fundamentalists," says Dr Yacoub Ziadin, *the general secretary* of the JCP, who has recently emerged from hiding after last April's crackdown on left-wingers.

Like many other activists, Dr Ziadin is nominating himself for the parliament *despite the fact* that the 1986 electoral law bans committed political activists from running for the elections.

"We believe in effecting change through democratic means," explained Mr Salem Nahas, a left-wing writer recently released from jail to embark on active campaigning. Like Ziadin, Nahas is not even sure that he will be allowed to contest the elections but is campaigning for an eventual abrogation of the electoral ban.

*If the elections provide an historic opportunity for broader political par*ticipation in Jordan, they may also give the authorities the co-operation they need to enforce economic austerity measures. Given the seriousness of Jordan's debt burden and its dependence on foreign aid, however, the elections may only be the beginning of a much longer process.

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AMERICAN NEWS

Pentagon takes control of US anti-drug effort

By Nancy Dunne in Washington

MR DICK Cheney, US Defence Secretary, yesterday took command of the administration's widening efforts, as part of President George Bush's new war on drugs, to combat the production and smuggling of narcotics into the US.

Declaring the need to stop the production and smuggling of illicit drugs a "high-priority, national security mission," Mr Cheney said the Department would involve itself "in every phase – at the source, in the delivery pipeline, and to further support federal, state and local law enforcement agencies".

He ordered the armed forces Atlantic Command to submit a plan within three weeks for "a substantial Caribbean counter-narcotics task force, with appropriate planes and ships, to help *reduce the flow of drugs* from Latin America".

Mindful of widespread opposition to using the US military in foreign combat, he said the US will provide economic and security assistance, training and operational support for armed forces and law enforcement agencies in drug-producing countries.

"There's a very clear line right now," he said of US involvement with foreign military. "There has been no request from any host-country for the active use of American combat personnel. We aren't flying their helicopters for them. We aren't travelling with their units as advisers into the field when they're on operational assignments".

Mr Bush has told Defence to be the lead department in improving co-operation by various federal agencies. Mr Cheney yesterday gave the commanders of various commands a deadline of October 15 by which to present plans for their roles in the mission.

The expanded military effort would increase surveillance at the Mexican border, support local police efforts and co-ordinate intelligence-gathering. He also asked civilian department and agency heads to submit proposals.

The Secretary said the US was studying these proposals:

- to install mobile radars in producer countries.
- train counter-narcotics forces of foreign countries, including the greater use of mobile training teams.
- place military personnel in federal law-enforcement agencies to provide liaison for training and planning.
- support US National Guard operations in the various states.
- provide temporary overflow facilities for jail space.

Mr Cheney said he opposed proposals to give US armed forces authority to shoot down aircraft coming into the US. "Obviously, the first time you made a mistake you would have severe problems," he said.

Ford and VW threaten shutdown in Brazil

By Ivo Dawnay in Rio de Janeiro

AUTOLATINA, the Brazilian holding company of Ford and Volkswagen, has warned that it may be forced to halt production this week if the government fails to agree substantial new price rises.

The company, with more than 60 per cent of the Brazilian market, says rises in costs of basic materials such as steel mean it can no longer pay component suppliers' prices.

Some 6,500 Ford and VW cars, trucks and tractors are stranded in company lots for lack of parts. Fiat and General Motors, Autolatina's two rivals in the potential 1m-unit domestic market, both have 3,500 uncompleted vehicles.

"Steel prices have risen 560 per cent this year, but our price adjustment has been only 254 per cent," an Autolatina official said yesterday.

Sovereign debtors warned over arrears

By Stephen Fidler, Euromarkets Correspondent

THE Institute of International Finance, a Washington-based group which speaks for international banks, said yesterday that countries which allow interest arrears to build up will face difficulties in negotiating debt reduction agreements with creditor banks.

The pronouncement, in a letter to the chairmen of the two important committees of the International Monetary Fund and the World Bank which are to meet in Washington next week, spells potential difficulties for Argentina, Venezuela and Ecuador, which are in significant arrears to banks but also looking to benefit by proposals under the international debt strategy launched in March by Mr Nicholas Brady, US Treasury Secretary.

Two debt reduction agreements with banks have been outlined so far – for Mexico and the Philippines – under the Brady plan. They are the first which use official resources, including money from the IMF and World Bank, to support a reduction of debt burdens.

In the letter, the Institute says: "Both Mexico and the Philippines, in marked contrast to other would-be candidates for debt reduction, continued to service their existing obligations prior to and during negotiations with banks.

"Interest arrears are a major impediment to banks' willingness to engage in voluntary debt and debt service reduction, but banks are prepared to negotiate with debtor governments which have taken meaningful steps to become current on interest payments."

The IIF, which represents 184 banks and other financial institutions, is also critical of IMF tolerance of interest arrears. Under new operating procedures, the fund is lending to countries in arrears to banks for the first time.

"Creditor co-operation is undermined by IMF tolerance of interest arrears to banks. This is counter-productive because arrears are an invitation to capital flight," the letter says.

Jamaica still laid low a year after Gilbert

The economy has been slow recovering from a hurricane, writes Canute James

TRAVELLERS on the road to Kingston's international airport are inevitably drawn to the sight of a light aircraft suspended between two trees. It was blown there exactly a year ago and is a reminder of the strongest hurricane ever recorded which scored a direct hit on the island of Jamaica.

While this monument to hurricane Gilbert has become probably the most photographed landmark on the island, Jamaicans are still feeling the pain of that traumatic September afternoon.

The economy has been slow to recover as export earnings have been reduced and imports have risen. The reduced earnings have put the Jamaican dollar under pressure causing an 8 per cent depreciation over the past month, and forcing the government to intervene to try to stabilise it.

"In one afternoon nearly 40 per cent of our gross domestic product was wiped out," said Mr Michael Manley, the Prime Minister, reflecting on the economic impact of the storm.

"It was obvious that we could not take a blow of that size and not pay a price for it. We got a lot of help from abroad but there is no way that this form of assistance can ever cover the loss from a disaster of that size."

Gilbert, almost immediately immortalised in popular song by ever-optimistic Jamaicans, left a half million people – about a fifth of the population – without homes. Export agriculture, mainly sugar, bananas and coffee, was extensively affected.

Damage to some hotels and the disruption of electricity and telephone services caused a dip in tourism while the bauxite industry was affected by a brief shutdown of mines and refineries.

The immediate repair needs were met by insurance payments. Mr Pat Taylor of the office of the Superintendent of Insurance said that $545m had already been paid to meet claims for damage. He said this represented 80 per cent of the claims which would be met.

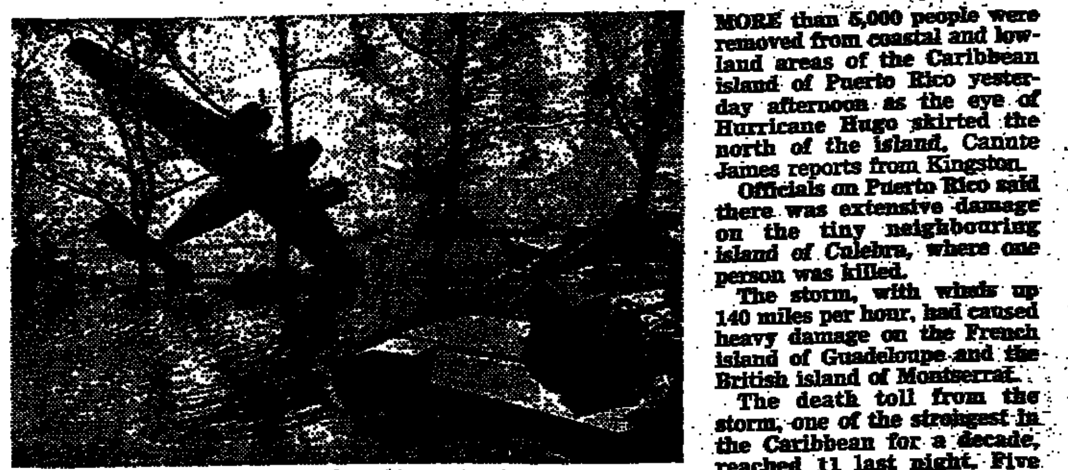
These payments had a positive, if brief, impact on last year's economic figures when the deficit on the current account of the balance of payments fell to $1.8m from $148.4m the previous year. In the first half of this year, however, Jamaica recorded a visible trade deficit of $398.2m, $164.8m more than the deficit in the corresponding period of 1988.

The Government has had some difficulties in being magnanimous in assistance to poor, homeless Jamaicans and small farmers, say officials. A programme to distribute "building stamps" and "agriculture stamps" which can be exchanged for materials is being affected by fears that spending targets in the fiscal budget, under tight control, through agreements with the International Monetary Fund, could be blown.

Mr Manley has admitted to a de facto devaluation, saying the exchange rate of J$5.50 to the US dollar over the past five years cannot be held at that level. Demand in the central bank's hard currency auctions, which determine the exchange rate, has jumped ahead of supply and the Government has had to increase the amounts to stabilise the rate.

The Prime Minister argues that despite the problems, the prospects for the economy are not all bleak, as sectors such as tourism, bauxite and manufacturing are expanding while agriculture is getting back on its feet, albeit slowly.

But he, like all Jamaicans, now weatherwise and expert after the fact, regard with more than a small degree of trepidation the birth of each tropical depression in the Atlantic, and the storms which they spawn and send churning towards the Caribbean.



An aircraft treed by Gilbert still awaits rescue in Jamaica

MORE than 5,000 people were removed from coastal and low-land areas of the Caribbean island of Puerto Rico yesterday afternoon as the eye of Hurricane Hugo skirted the north of the island, Canute James reports from Kingston.

Officials on Puerto Rico said there was extensive damage on the tiny neighbouring island of Culebra, where one person was killed.

The storm, with winds up to 140 miles per hour, had caused heavy damage on the French island of Guadeloupe and the British island of Montserrat.

The death toll from the storm, one of the strongest in the Caribbean for a decade, reached 11 last night. Five people were killed on Guadeloupe, four on Montserrat, two on Antigua and one on Culebra.

Reports from Montserrat, which has a population of 12,000 people, said only a few buildings escaped damage, and that patients were evacuated from the hospital, which was destroyed.

Hugo was on a path which would take it past the north-west of Puerto Rico last night and on to the northern coast of neighbouring Hispaniola (the Dominican Republic and Haiti) and to the Bahamas.

The hurricane is being followed by Tropical Storm Iris, which was about 500 miles east of Barbados last night.

Political thaw allows social issues to the fore at UN

By Michael Littlejohns, UN Correspondent, in New York

A CONTINUING improvement in the political climate has encouraged expectations for an unusually productive 13-week session, starting when the 44th UN General Assembly is convened in New York today.

Social issues that were often all but obscured by the cold war could command as much or more attention than some of the hardy perennial political questions on the 150-item agenda.

Drug trafficking, international terrorism, the Aids epidemic, the deteriorating environment, crime in the streets, the plight of millions of refugees and other homeless people, and continuing violations of human rights are only a few of the problems up for debate.

The Arab-Israeli conflict (with special reference to the Palestinian uprising), devastated Lebanon, tension in Cambodia and developments in southern Africa will all receive attention. Mr Yassir Arafat, the Palestine Liberation Organisation chairman, is reported to want to speak in the Palestine debate. He was denied a US visa last year and so unable to speak in New York.

For years, disarmament items have yielded a quarter of every General Assembly session's resolutions – 1989 will be no exception. Talks in the US this week between Mr James Baker, US Secretary of State, and his Soviet counterpart, Mr Eduard Shevardnadze, which may lead to accords on verifying disarmament measures, could give impetus to forthcoming UN discussions.

President George Bush, a former US ambassador to the UN, is among more than 20 heads of state or government planning to address the general assembly. Mrs Margaret Thatcher, UK Prime Minister, has not picked up an invitation by President Carlos Menem of Argentina to meet and discuss the Falklands issue during his brief UN visit. She is expected to arrive next month and talk mainly about the global environmental crisis.

President Mikhail Gorbachev of the Soviet Union has given no sign of wanting to repeat his UN visit of last December, but a Soviet public relations offensive is considered inevitable anyway. Mr Gorbachev is said to have been a moving spirit behind a special peace day programme being televised by satellite this morning before the assembly starts.

The Soviet Union is given credit for useful initiatives. Mr Shevardnadze, in a UN speech a year ago, sounded an alarm on the environment, saying global pollution and climatic change were threats as dangerous as war.

The Soviets, admitting that they too have a drug problem, might be ready to accept a more vigorous UN role to combat what Mr Javier Pérez de Cuéllar, UN Secretary-General, last week termed "the commerce of degradation and death." President Virgilio Barco of Colombia, where narcotics cartels threaten the very foundations of the country, is to address the general assembly on drugs next week.

These annual sessions afford an opportunity for many private exchanges among visiting leaders. Mr John Major, Britain's new Foreign Secretary, is expected to have his first substantive talk with the Soviet minister during a week-long visit. The presence of the foreign ministers of Iran and Iraq may well yield new efforts to break the Gulf deadlock.

Today the main business is to elect an assembly president. Maj-Gen Joseph Garba of Nigeria, is the uncontested nominee.

WORLD TRADE NEWS

Firm solution needed for Asia air snarl-up

Airport congestion has been under-estimated, a study finds. **Richard Gourlay** reports

AIRPORT congestion in Asia has been greatly under-estimated in many forecasts of air traffic to the year 2000 and is likely to be the single biggest obstacle to growth in fleet size, according to a study of regional air traffic.

While worldwide supply of wide-bodied aircraft will have to grow 45 per cent over the period to meet demand, Asia's airlines will need to double their fleets if they are to accommodate the region's growth and the recently-acquired passion in Japan for foreign travel. But such growth will not be possible unless the problems of airspace and airport congestion are addressed.

The study was compiled by the Manila-based Orient Airline Association (OAA) which represents 14 regional airlines, including JAL, Qantas, All Nippon, Cathay Pacific, Thai, Korean Air and Philippine Airlines, that together accounted for 40 per cent of the world airline operating profits in 1988. It draws on studies from member airlines, the regional *airports and projections from* Boeing, Airbus Industries and MacDonall Douglas.

It confirms that the biggest bottlenecks are likely to remain Tokyo's Narita, Hong Kong's Kaitak and Sydney's Kingsford Smith airports and the airspace around Japan. These airport authorities respectively forecast 7 per cent, 5.7 per cent and 8 per cent annual growth in passenger departures to the year 2000. Actual growth rates in 1988, however, were 27.1 per cent for Narita, 20.4 per cent for Kaitak and 15.7 per cent for Sydney.

Even given what the OAA calls these "low to medium scenario" growth patterns, Osaka and Narita airports will handle more than 24m departures by the year 2000 compared with 9.5m in 1988, Kaitak 16m compared with 7.7m and Sydney 37m domestic and international departures compared with 13.3m in 1988.

A more realistic scenario, according to the OAA study, is a 9-9.5 per cent annual growth in passenger traffic for the region as a whole – even after taking account some loss of momentum as a result of the economic and political turmoil in China. This translates into about 185m departures a year at the turn of the new century, compared with 66.5m in 1988.

Cargo freight, handling of which is not considered such a *problem by most airport* authorities, will grow at most to 14m tonnes from 3.3m tonnes a year by the year 2000.

Current airline expansion plans will not, according to the OAA, meet these demand projections. Mr Michael Hewitt, the OAA secretary-general, believes new orders will increase until 1992 and that up to a further 100 wide-bodied aircraft will be ordered regionally in addition to orders already placed. The OAA members have 583 aircraft, two thirds of which are already wide-bodied designs.

OAA OPERATING PROFIT (US$bn)	
1987(actual)	2bn
1988(actual)	3bn
1989(projected)	3.5bn
1990(projected)	3.9bn
1991(projected)	4.3bn
1992(projected)	4.8bn

Source: Orient Airlines Assoc, Manila

In 1989, 70 per cent of the OAA airlines' traffic and revenues was generated from within the region. The balance was split between Europe and the US equally. The numbers of Japanese travelling abroad rose 25 per cent in the last two years (1987 and 1988) but 80 per cent of their travel was within the region

Some of the current airport congestion problems are being addressed. Canberra has decided, subject to an environmental impact study to build an extra runway at Kingsford Smith. The downside of this hard-won victory for planners is that a decision to build what is the long-term solution, a new airport, probably at Badgery Creek, may now be further off.

In Hong Kong the Governor will announce in October the location of new airport – probably at Chek Lap Kok – which will be completed by 1997. Extra aprons are planned at Kaitak but estimates suggest the recently-expanded airport will still reach capacity by 1992.

In Tokyo what should have been the second half of the Narita airport complex remains unbuilt amid continued resistance from a handful of Japanese farmers and persistent harassment of officials by environmental pressure groups. Pushing Honeida into Tokyo Bay mainly for domestic traffic will help only partly. Development of Kansei, a new airport in Osaka Bay, may be more beneficial when it comes into operation in 1993.

Some hope is also offered by more advanced aircraft technology as more longer haul jets from the US are able to fly past *Tokyo to other Asian capitals.* This will allow US airlines such as American, Continental and Delta to develop the kind of "hub and spoke" operations out of Seoul's Kimpo airport, for example, that North West and United have successfully built out of Narita.

This could ease pressure on one of the most serious congestion points in the air corridor east of Narita through which many west-bound trans-Pacific flights must pass. But the real bottleneck around Japan is unlikely to be removed until Japan's military lifts restrictions on civilian flights over the Sea of Japan, to the west of the archipelago.

Mr Hewitt believes less tangible pressures are developing on Asia's airports. Deregulation and liberalisation in the US, developing in Europe and coming in some form next year toAustralia will not pass Asia by. In the wake of additional flexibility and perhaps less reliance on bilateral carrier arrangements will be cheaper fares and increased demand to travel.

The OAA report offers no solutions other than that more hotels, airports and larger fleets need to be built to accommodate the region's changing travel tastes. It implies, however, that if governments are to meet the challenge they will have to open to debate historically prickly issues. They will have to raise the question again – in Sydney and Hong Kong, for example – of lifting night flying curfews and they will have to combat the altogether tougher 15-year opposition to new facilities at Narita in Tokyo.

Seoul-Pusan rail system planned

By Maggie Ford in Seoul

SOUTH KOREA is to spend Won 3,500bn (£3.3bn) on a new high-speed rail system between Seoul and the main port of Pusan.

Preliminary studies are under way and the Korea National Railroad, with the Transport Ministry, has appointed Louis Berger, the US consulting firm, to help investigate new rail systems.

A symposium will be held in Seoul next month in which the technology behind France's TGV, Japan's Shinkansan bullet train and West Germany's newly-developed ICE will be explained.

The Government rail study group has been asked to make recommendations by next June, after which the contract will be open to *international* bidding.

The project has acquired a sense of urgency following South Korea's recent economic success. Planners have noted the advances made recently in rail technology, especially the ultra-fast magnetic levitated systems being designed in Japan and West Germany, but have not yet firmly fixed their own requirements concerning speed, routing, and safety levels. Korea will be looking for a balance between the best technology, best performance and cost.

Mosbacher plan puts South Korea fighter negotiations in doubt

By Maggie Ford in Seoul

NEGOTIATIONS over the $3bn (£1.8bn) Korean Fighter Programme, under which two US *defence contractors* are vying for the contract to supply 120 fighter jets, have been thrown into doubt following the visit to Seoul of Mr Robert Mosbacher, US Secretary of Commerce.

McDonnell Douglas, offering the F/A-18 (fighter/attack) and General *Dynamics* with the F16, have been bidding for the deal on the basis of guidelines tentatively agreed several years ago between the ministries of defence in both countries.

The guidelines cover the size of the offset programme and *the number of jets* to be either bought off the shelf, assembled in South Korea from kits, or fully built in South Korea.

During his visit, Mr Mosbacher is reported to have asked South Korea to buy 20 fighters directly from the US, rather than the 12 tentatively agreed, and to decrease the offset programme from 50-60 per cent of the value of the contract to 30 per cent.

Offset programmes transfer benefits to purchasers of military equipment either in the form of production, training or technology. They may also include export of locally-made aircraft equipment to the other country.

Observers noted that concern had risen in the US Congress about the transfer of US technology to countries which might use it to penetrate US export markets. Earlier this year, a trade battle erupted over a contract with the Japanese company Mitsubishi to co-develop the US FSX, a new generation of fighter.

Industry *specialists* say the South Korean deal is different from the FSX contract, where US and Japanese engineers will jointly develop new technology. The Korean programme involves only the transfer of existing technology, as has been done in many countries.

The argument over the Korean Fighter programme may reflect the decision by the US Administration to take a much harder line on trade issues than in the past. Mr Mosbacher praised Seoul's progress in opening its markets during his visit last week, contrasting South Korea's approach favourably with that of Japan.

But he said a number of issues remained between the two countries, including curbs on telecommunications imports, intellectual property rights protection, and farm product imports.

Sony to begin output of magnetic tape in France

By William Dawkins in Paris

SONY, the Japanese electronic group, is to begin making magnetic tape in France in early 1991, in its latest move to boost its products' European content.

Work will being early next year on a FFr500m (£45.2m) factory employing 100 people, at Dax in the Aquitaine region of south-west France. It will supply two Sony video-tape and audio-tape plants nearby, plus a group audio-tape factory in Rovereto, Italy. The three European tape plants produce 9.6m cassettes monthly, containing magnetic tape from other Sony factories in Japan and the US.

Sony opened its first European factory in 1974, in Britain, and now has 30 plants outside Japan, spread across Europe, North and South America and Asia. With a French turnover of FFr13.75bn last year, it is the country's biggest producer of video and audio cassettes.

The investment "demonstrates our desire to follow up our efforts to develop local industry in depth," said Mr Masaaki Morita, Sony's deputy president. The group was hoping to buy most raw materials for production at the new plant locally.

While Sony does not pay EC anti-dumping duties on its imported magnetic tapes, a spokesman said one reason for building up local production was to avoid the risk of such duties.

Shoe industry lobbies EC to curb rising imports

By Alice Rawsthorn

THE European shoe industry is lobbying Brussels to take steps to curb the rise in imports which it says is causing devastating damage in the European industry.

In recent years, the European shoe companies have been hit by a rapid rise in imports from emerging manufacturing centres such as South Korea and Taiwan. This influx has been one of the chief causes of factory closures and job losses that have hit the European industry.

Two years ago, the European Confederation of the Footwear Industry (ECFI) lobbied the Commission over the rapid rise in imports of shoes from Taiwan and South Korea. The commission has mounted an inquiry to assess the problem, but has yet to decide on action.

The ECFI has sent an open letter to the Commission saying that "a tiger is rising every day" among the European shoe companies because of its "failure to act".

The confederation is now pressing for restraints not only on imports from South Korea and Taiwan but against imports from all countries into the European Community. This is intended to prevent South Korean and Taiwanese manufacturers from relocating production in other countries.

Further, the ECFI is lobbying for free access to countries – such as Taiwan, China and Brazil – which have free access to Europe but impose restrictions on the flow of European products into their own markets.

The confederation argues that the introduction of these measures will give the European shoe industry time to invest in new technology, thereby improving its competitiveness.

Gatt hints at tougher trade in services rules

By William Dullforce in Geneva

THE secretariat of the General Agreement on Tariffs and Trade warned yesterday that more liberalisation of banking and other financial services, under negotiation in the Uruguay Round, might have to be accompanied by stronger regulatory systems.

Gradual opening of financial services to foreign competition "may involve as much re-regulation as deregulation", the secretariat said in a paper prepared for the group negotiating services in the round.

The group will this week test the applicability to financial services, including insurance, of the principles which trade ministers decided last December could be included in a framework accord liberalising trade in services.

The secretariat suggested negotiators could decide to avoid regulations "more onerous than underlying concerns warrant", and avoid discrimination, where alternative approaches were available.

But it would not be easy to address these issues, particularly as the trade ministers had recognised the legitimacy of rules intended to implement national monetary policies, maintain confidence in the financial system, and protect consumers' interests.

If a plan for progressive global liberalisation were adopted, developing countries would have to devote resources to enhancing regulatory regimes and developing better systems of prudential supervision, the secretariat said.

The US and Japan, proponents of liberalising services, yesterday acknowledged full application of Gatt's non-discriminatory principle could be difficult in specific banking fields. But the EC stressed the importance of harmonising regulatory systems, to avoid imbalance of rights and obligations between national banking systems.

Washington wants rules to ensure the right of establishment for banks and companies in other countries. The secretariat notes it is often imperative for banking and securities-related service companies to have a presence near its client base. Such establishment-linked trade cannot usually take place without cross-border movement of personnel, it adds.

Because of differences between national financial practices, a country may ask for reciprocity when granting entry to another country's banks or securities companies. This has been a issue between the US and EC. But Gatt says non-discrimination realised through its most-favoured-nation principle would preclude reciprocity in the treatment of foreign-based banks.

UK NEWS

Budget repayment target of £14bn in the balance

Government borrowing in August reaches £700m

By Simon Holberton, Economics Staff

THE PROSPECT of the Treasury achieving a £14bn debt repayment this financial year appeared finely balanced yesterday after it released figures showing Government borrowing of £700m in August.

Last month's borrowing took the cumulative public sector borrowing requirement to a surplus of £700m in the first five months of the Government's April 1989 to March 1990 financial year. This compared with a PSBR surplus of £4.8bn in the first five months of 1988-89.

The comparison with last year is distorted by privatisation. Excluding those effects, however, the cumulative surplus was still well behind a year ago. In the first five months the surplus was £200m compared with £1.1bn this time last year.

Many analyst believe that Mr Nigel Lawson, the Chancellor of the Exchequer, will find it difficult to achieve a £14bn public sector debt repayment as forecast in last year's budget. They believe that revenue growth has been less robust than anticipated, while expenditure growth has been a little stronger than planned.

Mr Lawson has already indicated that the take up of personal pensions will deprive the Exchequer of £2bn more than he estimated at the time of the budget. The Treasury said yesterday that there would be a new PSBR forecast in the annual Autumn Statement of the government's spending plans, which is expected in November.

Against the losses to revenue has been the stronger than expected growth in employment, which has the twin virtue of increasing tax receipts and lowering expenditure on unemployment benefits. Income growth has also been strong.

In the five months to the end of August, total tax receipts were 5¼ per cent up on the same period in 1988 while supply expenditures were 6¾ per cent higher. The Treasury expected total taxes to rise by 5 per cent this year.

Retailers urge tougher curbs against credit card monopolies

By Maggie Urry

RETAILERS are urging the Government to go further in removing monopolies within the credit card industry than last month's Monopolies and Mergers Commission report recommended.

The Retail Consortium, which represents 90 per cent of British retailers, says the MMC report missed the whole issue of the cartel at the heart of the industry, which is costing retailers £300m a year.

The report found there was a monopoly among the credit card issuers, which acted against the public interest. But it said competition had increased in the last two years and market forces could be expected to remove most adverse effects.

The consortium yesterday launched its lobbying campaign saying its reaction was one of "great disappointment" to the report. It expects to be supported by the National Consumer Council.

The Department of Trade and Industry had invited comments on the MMC report when it was published before it decided whether to enforce the report's recommendations.

Mr Robert Woodman, chairman of the Consortium's payment systems policy committee, said the retailers' cost of accepting credit cards, compared with debit cards, totals £300m a year, equivalent to £12 for each credit card in issue.

He said there was a better chance that competition between retailers would allow that sum to return to consumers than that competition between banks would have the same effect.

Mr Woodman argued that the report failed to deal with the "interchange fee" – a fee paid by the bank which has signed up a retailer to the bank issuer of a card.

This fee is normally 1 per cent of the value of the transaction. The Consortium says it is passed on to the retailers. It says "the interchange fee is not determined in an open market by the free play of competitive forces". It should either be abolished or become subject to free negotiation.

The consortium also condemned the MMC for failing to recommend the abolition of the "all cards" rule.

This allows a credit card issue to demand retailers take all the cards it issues, including debit cards. "The MMC has ignored the current injustice to retailers arising from this rule," the Consortium said.

This rule was at the centre of the retailers' dispute with Barclays Bank over its "Connect" debit card.

Barclays, the second largest high street clearing bank, said retailers which did not take the debit card could not take its credit card either.

Retailers pay more for debit card than the cost of handling cheques.

The retailers said they favoured the abolition of the "no discrimination" rule recommended by the MMC.

This would enable retailers to charge different prices according to the payment method.

Mr Woodman said he felt few retailers would take advantage of the removal of this rule. However, small retailers which have to pay large percentage fees to the banks might offer a discount for cash, he said.

In Brief

Insurance industry told to raise its profile

THE British insurance industry must adopt a higher profile, Mr Joe Palmer, the Legal & General chief executive who has taken over as chairman of the Association of British Insurers, said after visiting the European Commission last week. He said insurance companies had been too modest about their vital role as institutional investors.

He accused the Government of being too complacent about the ownership of the industry. "Any government ought to have some concern about who owns its main fiduciaries. There shouldn't be one law for bankers and one law for insurance companies."

Ulster coal sales

COAL sales in Northern Ireland fell by 9.1 per cent last year, but the Province remains the best domestic market for the fuel in the UK.

Ambulance warning

LEADERS of 19,000 ambulance staff predicted their overtime ban over a 6.5 per cent pay offer would this week have worsening effects on ambulance services with services significantly reduced.

Risks in actuaries

APPOINTED actuaries of life companies risk having their role in management reduced from sophisticated financial advisers to high-level technicians, Mr Roger Corley, president of the Institute of Actuaries and chief executive of Clerical Medical Group, said at an actuaries' conference yesterday.

Land Registry jobs

THE Land Registry is to open a new office in York, creating up to 400 new jobs within four years.

Oil rig safety

HEALTH and safety regulations for the oil industry drawn up after the Piper Alpha disaster in which 167 people died came into force yesterday.

The History of AMP is The History of Insurance

1849 Australia, barely sixty years old, has a population of 350,000 scattered over three million square miles. Like Dickens' Britain, it is a rugged society where the death of a breadwinner often means destitution for his family. In Sydney, five men of vision found Australian Mutual Provident, and with prescience call it '...a Society which is destined to become the most powerful institution in the Southern Hemisphere.' In 1852 the first death claim is paid.

1908

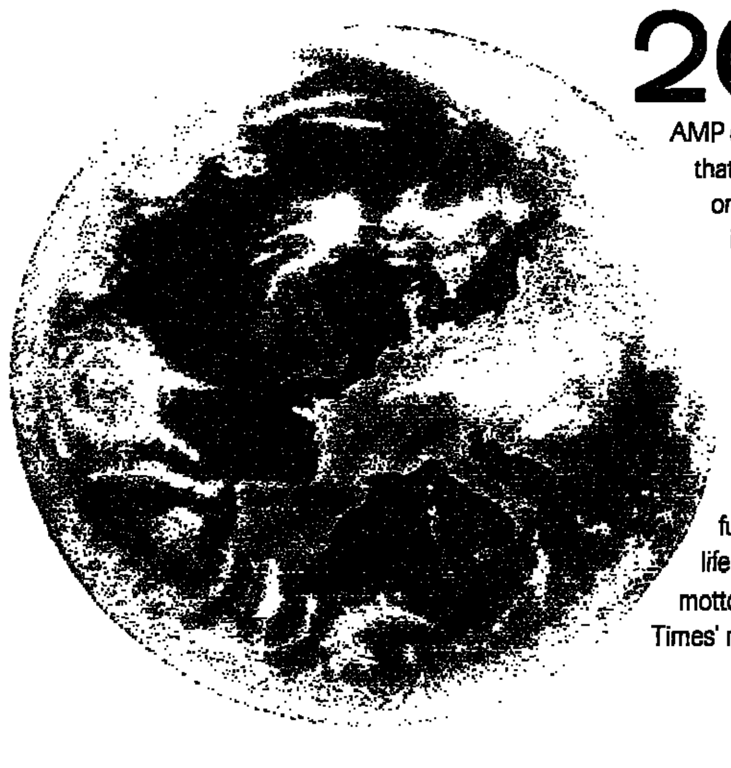
AMP is now the largest insurance company in Australia and New Zealand. In the long golden summer of the British Empire, AMP opens an office in Edwardian London, commercial centre of the world. It is the heyday of 'industrial' assurance with weekly premiums of sixpence collected by bicycle-clipped agents. AMP brings new standards of idealism and probity to this, the working man's safeguard, and feels ready to work on a wider, international canvas.

Britain defies a Nazi Germany which has virtually all Western Europe under its heel. AMP covers war risks in full, without extra premium. On the domestic front, the way is opened for the first time for AMP to invest in stocks and shares and in property. The modern life insurance company, investment-conscious, and aware of its responsibility to maximise the savings and pension prospects of its policy-holders, emerges from the furnace of war. **1940**

1989

'The security of policy-holders is directly related to the strength of their assurance company.' Wise words, and never more so than in the '80s when, increasingly, the future of insurance belongs to the companies with the greatest global resources. AMP merges with London Life, harnessing this great insurance company's understanding of the UK market to the capital strength and international vision of AMP.

1993 Britain has forged its links with Continental Europe more closely, physically with the opening of the Channel Tunnel, and politically and economically within the Common Market. AMP now competes successfully in the insurance markets of Europe. It has introduced innovative insurance/investment plans giving a range of insurance options and also capital investment opportunities in one flexible policy.



2000

AMP continues to pursue a strategy that made it one of the major players on the world insurance and investment stage. From a strong base in Britain and its homeland of Australia it has broadened to cover much of the world. Across the globe, AMP policy-holders enjoy the security that only international financial strength can bring. AMP's fundamental role continues to be life insurance. Its simple Victorian motto 'A Sure Friend in Uncertain Times' now has global relevance.

AMP GROUP

A Member of LAUTRO

UK NEWS

Leading Lloyd's insurer in line for top SE post

By Richard Waters in Venice

MR PETER RAWLINS, managing director of Sturge, a leading Lloyd's insurance firm, is expected to become the next chief executive of London's International Stock Exchange.

Mr Rawlins, a 38-year-old accountant who has spent the last five years in the insurance industry, has little direct experience of the stock market. However, he is understood to meet the requirement for a more commercially minded chief executive than the current incumbent, Mr Jeffrey Knight.

Mr Rawlins' name, though not widely known, is familiar in City of London regulatory circles. He acted as right-hand man to Mr Ian Hay Davison, the former chief executive at Lloyd's, who was responsible for the reform of the insurance market after the scandals of the early 1980s.

After returning briefly to a partnership at Arthur Andersen, the accountancy and consultancy firm where he had trained as an accountant, he was given one of the top jobs in the Lloyd's market at Sturge.

Mr Rawlins was described by one leading City regulator yesterday as a "modern man" ideally suited to the challenges that lie ahead for the Exchange.

A significant strength was said to be his understanding of technology. Too often important technology projects at the Exchange have been led by people who do not have sufficient experience, said the regulator.

Mr Rawlins' appointment would come at a critical moment in the development of the Exchange's most important technology project, its automated settlement system, Taurus. This is due to be implemented by the end of next year, but has yet to leave the drawing board.

Mr Rawlins' candidacy has been discussed privately by his supporters since last month, when it emerged that Mr Christopher Castleman, a former chief executive of Hill Samuel, was also in the running for the job.

It is understood that the Exchange is now close to making an announcement. Headhunters have been searching for the past two months for a replacement for Mr Knight, who has said he will stay until *the end of the year.*

Mr Rawlins, who has already announced his intention of leaving Sturge, could not be reached yesterday. It was suggested in some quarters that he may think twice about taking the job, given the difficult political environment in which the chief executive has to work.

However, one of those who has worked with him suggested that he would be strongly attracted by the opportunity.

"He's a very ambitious and political man. He is very much attracted by the bright lights. He was in Footlights [a comedy revue club] at Cambridge – he likes to be in the limelight."

The arrival of a comparatively young newcomer with little direct experience of the industry would be likely to cause some consternation at the Exchange, which is dominated by a number of powerful "barons" who head the various markets and divisions.

However, according to one influential City figure: "The barons should realise that the Exchange needs to move forward if it is to survive."

The appointment would be likely to win Mr Andrew Hugh Smith, the Exchange's chairman since last autumn, further *plaudits from leading securities* firms. Among other things, they have applauded his decision to hive off clearing and settlements into a separate commercial operation.

The Sun defends its pitch on the newspaper stands

By Raymond Snoddy

MR Kelvin MacKenzie, editor of The Sun, Britain's most widely criticised and widely read down-market tabloid newspaper, conceded yesterday the paper had been forced to start thinking about criticisms from non-readers and tightening up its coverage after the £1m libel settlement with rock star Elton John.

"We have got to think about what our non-readers say," said Mr MacKenzie, even though he believes that most critics of The Sun's approach to newspapers simply do not understand the nature of popular journalism.

The Sun – owned by Mr Rupert Murdoch, the Australian entrepreneur who owns five national newspapers in the UK – has already submitted a robust defence of its position to the Government-appointed Calcutt Committee now looking into the press and privacy. Mr McKenzie believes in self-control not state control.

"You would be an absolute idiot to have the Elton John affair happen and you not learn some lessons. We did learn lessons. Things have changed there is no doubt," said Mr McKenzie, giving a rare interview yesterday to the media correspondents of Britain's five broadsheet national dailies in the boardroom of News International, the Sun's headquarters in East London.

The editor has no intention of drastically changing his view of the world or the basic nature of the paper, which thrives on a diet of scandal and exposés on the lives of the famous.

"The only qualms we have is when we get it wrong. Then its open season.

"I see nothing wrong with what we do. I love the paper. I love the readers. I have a great time producing the paper," he said. Then, with all the verve of a Sun editorial he went straight on the attack.

Mr McKenzie, who took over the editorship of Britain's largest selling daily from Sir Larry Lamb in 1981, went on to accuse the broadsheet press of taking *"the most uninteresting* thing that had happened in Britain or the world" and putting it at the top of the front page, and writing stories that were far too long.

Stressing the need for good writing, he said newspapers needed "great words," if they were not to go out of business.

"Ours are great words," he said with conviction.

He said his paper, which has 12m readers, came under attack for two reasons – it was a power the Establishment could not control and rivals were jealous of its success.

He delivered a robust defence of The Sun's format known for its punchy headlines such as "Up Yours Galtieri" during the Falklands Conflict, before returning to his newsroom quoting the words of Sidney Carton in Dickens's At Tale of Two Cities: "It is a far better thing I do now."

Rail union threatens fresh action

By Jimmy Burns, Labour Staff

BRITISH Rail, the state-run railway, is again being threatened with industrial action on *its plans to change its* collective bargaining machinery, one of the issues at the heart of this summer's national rail strike.

Mr Neil Milligan, general secretary of train drivers' union Aslef warned yesterday that unless BR agrees to meaningful negotiations, his members will be balloted on "forms of industrial action".

Union officials of the National Union of Railwaymen and the white collar TSSA privately indicated that any talk of imminent strike action was premature given that BR has agreed to extend its November deadline for terminating the existing machinery by three months to January 31 1990.

They expressed unease, however, that BR management was attempting to claw back a certain independence on pay more in line with its pre-strike objective of turning the railway into a commercial business driven not so much by unions as by customer demand.

BR said last night that discussions with the rail unions were "continuing' after confirming that the issue of the negotiating machinery had been the subject of an unpublicised exchange of documents in recent weeks.

Mr Milligan's was strongly critical of what BR's last night was still insisting were "confidential proposals."

According to Mr Milligan, one BR proposal made on August 4 suggests that subgroups of new 'Functional Councils', representing staff according to skills, would be able to vary the standard working week for BR staff and, by implication, have a greater influence in setting pay and conditions.

Restrictions imposed on Guinness hearing

By Robert Rice, Legal Correspondent

THE judge who is to preside at the trial next year of seven defendants on charges arising from the Guinness takeover of Distillers – the Scots whisky group – began hearing legal argument today on pre-trial issues raised in the case.

Reporting restrictions covering the preparatory hearing before Mr Justice Henry were not lifted.

Two of the defendants – Mr Ernest Saunders former chairman and chief executive of Guinness - the UK brewer – and Lord Spens, former managing director of merchant bankers Henry Ansbacher – were present in court for the hearing at the High Court in London.

The other five, Mr Anthony Parnes, Mr Gerald Ronson, Sir Jack Lyons, Mr Roger Seelig and Mr David Mayhew were not present but were represented by counsel.

Mr Saunders and his six co-accused have all pleaded not *guilty to all the* charges against them, which include allegations of theft, false accounting and conspiracy to defraud.

Mr Saunders faces 49 charges, Mr Seelig, the former Morgan Grenfell corporate finance director, 20, Mr Parnes, a former City stockbroker, 14, Sir Jack Lyons, the millionaire financier, 13, Mr Ronson, chairman of the Heron Corporation, 11, Lord Spens, former director of corporate finance at the Henry Ansbacher merchant bank, 5, and Mr Mayhew, senior corporate finance partner of stockbrokers Cazenove & Co. 4.

Mr Saunders was arrested on May 6 1987, Sir Jack Lyons on October 8, Mr Ronson on October 13, Mr Seelig on October 15, Lord Spens on March 10 1988, Mr Parnes on March 24 and Mr Mayhew on April 7.

All are on £500,000 bail. The hearing was adjourned until today. Reporting restrictions in preparatory hearings in fraud trials are imposed automatically by the 1987 Criminal Justice Act which was introduced by the British Government to simplify *the* investigation and prosecution of fraud.

Preparatory hearings can be ordered by the trial judge where it appears to him that there might be a substantial benefit to be gained by holding a hearing before a jury is sworn in to identify the material issues of the trial, assist the judge's management of the trial or speed up the proceedings before the jury.

Automatic reporting restrictions are placed on such hearings to ensure nothing material to the case is reported which might seriously prejudice the outcome of the trial.

Restrictions can only be lifted by court order on application from the accused. In all other cases all that may be reported *is* basic facts of the case such as the names and addresses of the accused, the name of the court and the judge, adjournment details, bail arrangements and whether legal aid was granted to any or all of the accused.

Fresh call for full UK EMS entry

By Simon Holberton

THE ONLY thing Britain would lose by fully participating in the European Monetary System would be the right to a higher inflation rate than its European competitors, according to Mr Samuel Brittan and Professor Michael Artis in a pamphlet published today.

Both authors believe a fully functioning single market in goods and services needs a stable exchange rate environment and that is provided by the EMS. They warn of the development of a "two-speed Europe", and of declining British influence in Europe if the UK stays out of the EMS.

Mr Brittan, an assistant editor of the Financial Times, believes that steps towards economic and monetary union should proceed by evolution. He writes that fiscal and regional issues are best solved by market forces, not by edict from Brussels.

Prof Artis, Professor of Economics at Manchester University, writes that Britain should enter the EMS on the same terms as Spain and Italy. Both countries' currencies are permitted wider fluctuations than others in the EMS.

He says nations have lost faith in the exchange rate as a tool of economic management and do not see inflation as an alternative to unemployment.

Europe Without Currency by Samuel Brittan and Michael Artis, The Social Market Foundation, 194 Regents Park Road, London NW1 8XP.

Ford widens workplace smoke ban

By Charles Leadbeater, *Labour Editor*

FORD, the car manufacturer is to extend dramatically its ban on smoking at the workplace in response to mounting concerns about the health hazards of passive smoking.

The company's newsletter to its 42,000 employees says that from this January employees will not be allowed to smoke in lifts, corridors, lavatories, conference rooms and rest rooms designated for non-smokers. At least 50 per cent of canteen areas will be designated as non-smoking areas.

However, Ford will not stop smoking on the assembly line. Large factory areas are so well ventilated there was little risk to non-smokers from inhaling tobacco smoke in the work environment, Ford said.

Shop floor workers are already banned from smoking in sensitive areas which use chemicals or petrol products.

Ford said the decision had been taken in the light of mounting scientific evidence of the health risks of people exposed to tobacco smoke at work which had provoked rising concern among staff.

Ford's move reflects growing interest among employers in banning or restricting smoking at work. Action on Smoking and Health, the lobby group said in it was receiving about 200 inquiries a month from employers interested in smoking policies, compared with 200 in 1987 as a whole and none in 1985.

UK to step up educational co-operation with France

By David Thomas, Education Correspondent

THE UK Government is to step up educational co-operation with France following a meeting yesterday in London between the education ministers of the two countries.

Mr John MacGregor, the Education Secretary, said he and Mr Lionel Jospin, his French counterpart had identified technical and vocational education as particularly suitable areas for further co-operation.

Senior officials from the two countries will meet to finalise ideas for further action, which are likely to include:

- Encouraging British and French schools to use new technology to look at problems together, for instance using electronic mail for joint design projects.
- Helping teachers in other than foreign languages to take part in exchange programmes.
- Pupil exchanges to study vocational subjects in the other country's language.
- Promoting headteacher meetings to discuss shared educational projects, and more exchanges of language teachers.

The British Government has, however, allocated no extra resources to the co-operation initiative, but officials believe that most of the activities envisaged by the two education ministers are relatively inexpensive.

UK NEWS

Waste merchants come clean on PCB disposal

Richard Donkin on treatment of harmful chemicals

LOOKING at the clear glass jar with its seemingly innocuous contents, the colour and clarity of white wine and the consistency of gravy, it was difficult to understand what all the fuss was about. "Electrical engineers used to use it to get grease off their hands," said Mr John Thistlewood, National Operations Manager at Cleanaway, the largest UK chemical waste merchant.

The substance was PCB (poly-chlorinated byphenil), the disposal of which has perhaps done more than anything to change the face of the chemical waste industry. Although scientists are still uncertain of its toxic effects on humans they have sufficient data of carcinogenic effects on animals to insist that the greatest care is taken in its destruction.

The destruction of PCBs is a small tiny proportion of the chemical waste industry in the UK. Its elevation into the political arena, however, alongside a growing environmental awareness worldwide has led the industry to embark on a multi-million pound reinvestment programme.

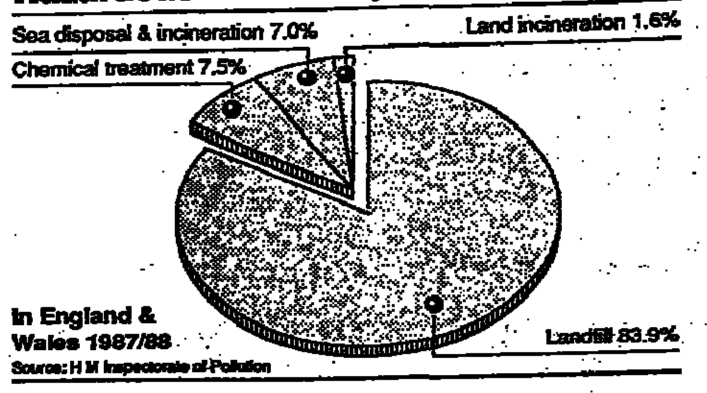
The controversy that stalks PCBs and dioxins, the gases that can be generated if PCBs are not properly incinerated, has proved the saviour of companies such as Rechem, which, since its management buy out from BET, the international services company for £1.6m in 1985, has successfully traded on its unique ability in the UK to dispose of solid PCB waste within Government guidelines.

Waste producers that cannot afford to risk their reputations or possible court actions years into the future have been prepared to pay Rechem as much as £2,000 a tonne to get rid of their PCBs.

Rechem has been one of the darlings of the London stock market, reporting profits up 94.1 per cent to £8.75m in March. The recent controversy has done little to dint its share price.

The company, with Cleanaway, is well placed to compete in this increasingly profitable sector where public fears about chemical waste seem to have a direct impact on the prices that can be demanded for its disposal.

Hazardous waste disposal



Source: H M Inspectorate of Pollution

While public pressure groups appear to focus on the toxic waste treatment plants, a recent Department of the Environment report, Dioxins in the Environment, pointed to municipal incinerators as the greatest source of dioxins released into the atmosphere from waste burning.

One of the main worries about PCB solids incinerators is the fear of spurious emissions or blowbacks when the material is loaded into the furnace. Cleanaway and Rechem have developed a head start in what was intended to be a four or five horse race to build a new generation of incinerators. Both have planning permission for the construction of rotary-kiln incineration plant which, arguably, should make the UK industry as good as that available anywhere in the world.

Ocean Environmental Management and Leigh Interests, two other large players, are still held at the starting post after refusals of planning permissions for their own incineration plants at Teesside (Ocean) and Doncaster.

Mr Peter Johnson, marketing director of Ocean, said the company was diversifying. He believes pressure from Europe will lead co-disposal to landfill of chemical wastes with other wastes to gradually disappear. Denmark has stopped and the Netherlands and West Germany are likely to follow.

According to the first annual report of Her Majesty's Inspectorate of Pollution published earlier this year, some 80,000 tonnes of hazardous waste were imported for treatment or incineration in 1987-88, still a fraction of the 4.8m tonnes produced in England and Wales during the same period.

The greatest percentage of identifiable special waste imports came from the Netherlands, followed by West Germany, Belgium, Switzerland, Ireland and Denmark.

The problems of disposal for countries like Ireland which produces only small amounts of chemical wastes has led some experts in the industry to argue against Mr Chris Patten, the Environment Secretary's stance that each developed country should dispose of its own developed waste.

But the trend towards land incineration, particularly since the North Sea Conference in November 1987 set a target date of December 31 1994 for the phasing out of incineration at sea, seems unavoidable with the arrival of even more efficient systems.

Perhaps the darkest horse of all in the race for the 1990s market could prove to be the water industry which sees waste as one of its specialities. Northumbrian Water is planning a joint project with International Technology Corporation, of the US, to build two integrated treatment plants with incinerators, at a cost of between £10m and £20m each on Tyneside and Teesside. The French water companies, which are already moving into the domestic waste and street cleaning markets in the UK, may also be a source of future competition in what is promising to become an increasingly hotly contested marketplace.

Patten tries to prevent EC action over water

By John Hunt, Environment Correspondent

BRITAIN's Environment Secretary was last night making a last-minute attempt to prevent the UK being taken to the European Court over failure to comply with the European Community directive on drinking water quality.

Mr Christopher Patten was talking in Brussels with Mr Ripa di Meana, the Community Environment Commissioner, to persuade him that Britain has done everything possible to speed-up the programmes of improvements undertaken by the water companies.

In July, Britain was told that it had two months to meet the directive, with which it should have complied by 1985. The July deadline expires today and Commission officials have warned that unless it is met, Britain may be taken to the court. There are 30 water sources in Britain which the Commission regards as problem areas.

The problem centres on nitrates in water which environmentalists say can cause stomach cancer and child deaths. The directive allows a maximum level of nitrates of 50 milligrams per litre and wants Britain to comply by 1993 at the latest.

● A big operation began yesterday to clean up a five-mile oil slick off north east Britain caused when the Phillips Oklahoma, a tanker carrying 56,000 tonnes of crude oil, hit Maltese-registered vessel Fiona, also carrying fuel oil. Fires broke out on both vessels but nobody was hurt.

The opposition Labour Party demanded an immediate Government inquiry into the collision. Mr Tony Blair, the party's energy spokesman, said: "This is the second serious accident involving oil carriers in the last few weeks, the first leading to last month's disastrous spillage off Merseyside." He called for a review of rules governing the carriage of oil.

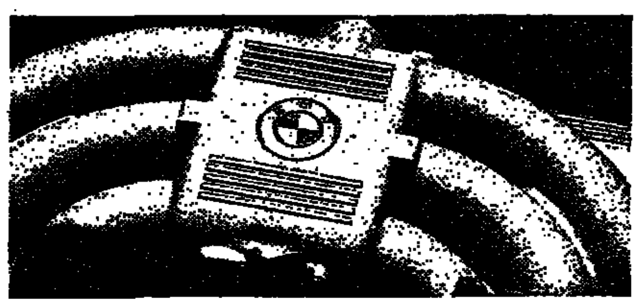
Experts calculated that as the tide turned, the oil slick would be washed further out to sea and begin breaking up.

EUROPEAN PERSONNA

Acceptance as a „personna grata" involves the presentation of credentials recognised far beyond the frontiers of the home country.

An example of this is the BMW 3 Series. The objective of the conceptual design was to equip compact, high-performance cars with the demanding technology of generously specified limousines.

This concept, with consistent development, has brought the 3 Series to a particularly high standard which has been widely recognised internationally.



■ Models with a swept volume of 2.1 litres and above are automatically fitted with a silky smooth BMW 6-cylinder engine.

A standard which, in association with modern technology, really shows the way – with engines incorporating both the design principles of BMW 12-cylinder engines and the competition-proven 4-valve technology.

All the engines are controlled by the most modern electronics – by DME, the digital engine management system, in the case of BMW 3 Series models with petrol engines and by DDE, Digital Diesel Electronics, in the case of 3 Series models with diesel engines.

The 3 series also has a large number of optional safety features which are usually only found in larger vehicles manufactured to a more generous specification. These include the anti-locking brake system and the airbag which, if desired, can also be provided in the 316i.

The individual character of the BMW 3 Series demonstrates that genuine personality always involves more than one facet. There are, in fact, fourteen different basic models in the 3 Series alone, which includes seven alternative engines with nicely arranged power intervals. And four different body types – cabriolet, touring, 2-door and 4-door.

The 3 Series thus exhibits great functional flexibity but the versions have one ideal in common – driving pleasure. A personal driving experience which is convincing more and more Europeans.

For years they have been voting for the best in its class – the 3 Series.

The ultimate driving machine

TECHNOLOGY

Della Bradshaw explains how computerised modelling can benefit the small company

A step nearer the design miracle

The scenario is all too familiar in most manufacturing companies. Your competitor startles you by announcing a product which makes your range pale into insignificance. So a designer is summoned and told to do the impossible – come up with a product which has more bells and whistles, costs less and can be in the shops before your rival gets a chance to corner the market.

Crucial to this proposed miracle is the initial design phase. If it can be accelerated and produce more accurate specifications, there is a far better chance of bringing out that all-important widget quickly and cheaply.

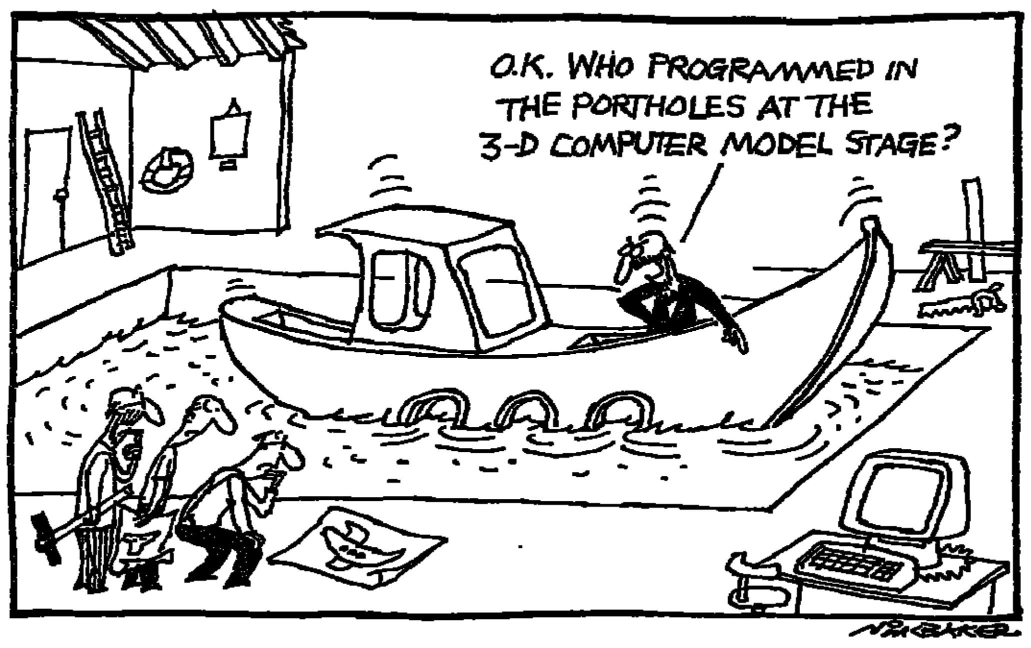
This is because decisions made in the first 5 per cent of the development process determine 85 per cent of the cost of making a product, says Ronald Friedsam, chairman of the Structural Dynamics Research Corporation (SDRC), of Milford, Ohio. His company helped pioneer the automation of that critical five per cent – by modelling new designs on a computer screen in a three-dimensional form.

Previously only large corporations could afford such systems, but the increasing power and falling price of computer hardware mean that many smaller companies can use these software packages for 3-D, or solid, modelling.

The technique enables designers to construct the whole product by "drawing" the various parts on the computer screen – resplendent with curves, twists, knobs and bumps. The designer can rotate the model to look at it from every angle and instruct the computer to fit parts together, to make sure they match before the manufacturing line is geared up.

Technophone, the hand-held cellular phone manufacturer, of Camberley, was quick to spot the benefits of automating the design process. The first phone developed by the fast-growing young company was designed for the UK and then adapted for overseas markets.

Redesigning the phone to comply with Scandinavian specifications involved changing several of its tightly packed components. But the designers had to make sure the whole thing still fitted into the compact case.



"Mechanically we wanted to prove that a case top would fit properly before we went to tooling," says Laban Dearden, design services manager. "The concern was the different height of the components across the (printed circuit) boards."

Technophone used solid modelling software to instruct the computer to fit the pieces together. "You can shut the phone up on the screen just as if you are closing it on the production line," says Dearden. "If the components are too high, the computer tells you."

Until recently the software to carry out that task would have taken the power of half a mainframe computer. Now 3-D modelling can be done on a workstation, made by companies such as Sun Microsystems, Apollo, Hewlett-Packard or Digital Equipment, with a total hardware and software package costing as little as £16,000. Today's workstations give between three and seven Mips (millions of instructions per second) of computer power.

Depending on the application, 3-D modelling takes up between three and 10 times as much computer power as its 2-D counterpart, estimates Tilman Schad, general manager of Hewlett-Packard's mechanical design division in West Germany. Not only must the lines be drawn in an extra dimension, involving complicated relationships, but also the computer needs to know whether to show a line, or hide it. When designing a car, a view from underneath would show the four wheels, but if the model were rotated to give a side view, only two would be visible.

Some manufacturers have taken to 3-D modelling because it reduces the number of prototypes. Car makers, for example, would traditionally build up to 20 of them.

Cutting the number of prototypes was one motive behind the decision of Pedrick Yacht Designs, of Newport, Rhode Island, to go for 3-D modelling. The five-person company is designing a 23 m yacht for the next America's Cup race series using solid modelling software from Parametric Technology of Massachusetts. (In the UK, Ferranti Infographics sells a system developed with Parametric Technology.)

Parametric has developed its software so that designers can draw the product by describing the relationship between the different lines and then filling in the dimensions later – most software packages rely on the designers putting in the figures as they go along. According to Parametric, defining the shape rather than the size is the way most designers create their product.

"Before we used computers, we had to resort to a greater degree of scale-model production," say David Pedrick. "We had to draw a shape and then send out to have a model made. Then we had to put it into a towing tank and predict the speed of the yacht. About 75 per cent of that is now done by computer."

He points out, however, that the 3-D system is not a creative beast. "The concept of the yacht is something the designer produces intuitively. But the software enables us to develop the ideas and visualise them. The computer can help identify the trouble spots, but then the designer has to make the decision on what to do about it."

For this reason, many of the software companies making these products are beavering away at incorporating expert systems. These would enable the computer to decide that, say, if factor A and factor B were true, then a certain line of action should be taken.

Meanwhile, just identifying the problems is enough for some companies. In Buxton, Derbyshire, Otter Controls, a company which specialises in electric thermostats and cut-out devices for car motors, washing machines and electric kettles, has used solid modelling to help it reduce the amount of plastic wasted during manufacture.

Because the model showed both the all-round view and a cross-section of the thermostat on screen, the designers could work out the best way to trim the material and at the same time devise the optimum shape. Minute though the savings are on each thermostat, when you are producing 1m a week, the slivers saved soon add up.

However, some things remain hard to model on screen. Convoluted combinations of curves have proved difficult to represent; and rounding off sharp edges of plastic – a technique called blending – is also tricky.

Some of the advantages of using these systems are intangible in that they affect an organisation's culture. "Companies will really benefit if they can get their design and manufacturing departments to work together," says Ian Braid of Three-Space, a solid modelling development company in Cambridge.

"The gap between design and manufacturing is enormous in many companies and the source of many problems. They often have different computer systems, and frequently the data produced in the design department has to be re-inputted into the manufacturing computer."

Braid believes that the best implementations of 3-D modelling are where it has catalysed the pooling of ideas – bringing together people in charge of areas as diverse as materials and marketing, as well as design and manufacture.

Although in the past companies that have relied on 3-D modelling have tended to make large and greasy objects, this is changing. Any complex mechanical object can be designed in this way.

US toy manufacturer Fisher-Price, for example, turned to 3-D modelling to help it design products for that most fickle of consumer markets, the under 10s. Among the system's offspring is the popular Bubble Mower, which blows out bubbles as the tot pushes it over the grass.

An article on the use of 3-D modelling to produce the B-2 stealth bomber appeared on this page on Sept 15.

Polymer key to gossamer battery

MANY items of portable technology — the portable computer or the mobile phone — are only as effective as the battery that powers them. For this reason, battery manufacturers around the world are beavering away to develop power sources which are small, light and last a very long time.

The good news is that a material, developed by Moltech, of the US, could eventually lead to such a paragon. It is a solid polymer which, applied as a thin film, would replace the electrolyte — the liquid which leaks out of badly sealed batteries.

The electrolyte enables oxygen to move from the cathode to the anode in the battery, so producing the electric current, which is given off by the anode as it oxidises. The electrolyte itself, and the heavy packaging needed to encase it securely, form much of the weight of ordinary lead acid batteries and inhibit attempts to pack in more power.

Although a few such polymers have already been developed, they usually work only at relatively high temperatures. Moltech has cracked the problem of making one which works at room temperature. The material could be used in anything from consumer batteries to large standby power units.

The bad news is that models using the polymer will not be available until the 1990s.

Sensing the end of 'up periscope'

THE NEXT generation of nuclear submarines is unlikely to be fitted with the sub's most famous characteristic — the periscope, writes Lynton McLain.

Instead the vessels will be equipped with opto electronic observation and sensing equipment. Sensors housed in a pod at the top of a short mast are remotely controlled from below.

However, the control room will no longer need to be placed directly below the conning tower or fin of the modern submarine — where traditional periscopes are fitted — giving the submarine designers greater scope for making the hull and fin hydrodynamic.

Nor will the equipment need to penetrate the pressure hull of the vessel, as happens with a conventional 45 ft periscope.

Pilkington Optronics, of Clwyd, has just completed a feasibility study of such a sensing device for the Royal Navy's proposed SSN20 nuclear submarines, for service in the 1990s. It is working with Logica, the London software company, and Mactaggart Scott, the Edinburgh-based mechanical engineers.

Pilkington has proposed integrating all sensors into a single optical electronic device, which would include thermal imaging, high-definition television and the submarine's satellite-based global positioning and navigation system.

Quick copy on film

HAVE you ever been to a meeting and wanted to copy the information on slides or flipcharts, but not had the time to write it all down?

The answer could be the camcopier, a hybrid of two technologies, the photocopier and the camcorder. Developed by Chinon Industries in Japan, it is about the size of a portable typewriter and produces A4 copies on coated facsimile paper in 30 seconds, for about 3p each.

The subject to be copied is lined up in the camera viewfinder and the button pressed. The camcopier produces three types of copy — black on white, white on black or half-tones.

ECB (Electronic Copierboard), of Twickenham, is selling the camcorder in the UK for £795.

Lifting the factory fumes

A CATALYTIC converter, for use with gas-powered forklift trucks, could provide a cleaner working environment in warehouses and factories.

The converter, developed by the UK operation of Engelhard, of the US, removes up to 95 per cent of the noxious fumes, including nitrogen oxides. Previous converters for use with light propane gas-powered vehicles reduced the carbon monoxide and hydrocarbons, but were ineffective against oxides of nitrogen.

Engelhard has taken a leaf out of the book of the makers of catalysts for petrol-driven engines and combined platinum and rhodium in the new converter, the TWX.

The precious metal catalyst is supported by a ceramic honeycomb encapsulated in a tough stainless steel shell. It can be fitted to vehicles in the factory.

WORTH WATCHING

Edited by Della Bradshaw

A warm interest in straw

ONE OF the less glamorous products of the harvest is straw, traditionally used as animal bedding.

However, one landowner has found a novel use for it. James Holt, of the 3,500-acre Ravenswick estate, in North Yorkshire, is burning straw to provide heating and hot water.

The computer-controlled heating system, designed by Fulcrum Engineering, of London, uses a boiler from Farm 2000, of Redditch, which can also burn wood or waste material. The boiler can handle two bales of straw, of up to 5 ft in diameter, at a time.

The burning straw heats a tank of water, which provides domestic heating and even warms up an outdoor swimming pool. The electronic energy management system keeps a watchful eye on the boiler and heats different parts of the house to different temperatures.

One field of straw should keep the Holt household snug until next year.

CONTACTS: Moltech: US, 516 282 4490. Pilkington: UK, 0745 583301. Chinon: Japan, 266 72 5800. ECB: London 744 2121. Engelhard: London 643 8080. Fulcrum: London, 837 6637.

ARTS

Oh! for some controversy

William Packer on London open exhibitions

The Open Exhibition, that is to say the exhibition chosen by jury from a free submission, is so patently well-meant that it seems churlish to question it. What can be wrong, after all, in an exercise entered into freely by the artists themselves, that affords the successful the chance to put their work before the public in the company of the peers? It would indeed be churlish, and yet, and yet . . . The coincidence of two exhibitions, both of them fixtures of the art calendar, brings doubts to the surface now, which is rather bad luck on both of them, for each is perfectly unexceptionable within in its own terms.

The Annual Exhibition of the Royal Over-Seas League (Over-Seas House, Park Place, St James's SW1, until September 23: sponsored by Champagne Pommery, British Airways and others) is confined to British and Commonwealth artists under the age of 35. In this its fifth year, 515 entries have been whittled down to 34 which, at a strike rate of 1: 15, is rather worse odds than the RA Summer Show (usually about 1: 10), but much better than the John Moores (about 1: 38). The result is the customary lively miscellany of, for the most part, figurative work, and a fair reflection of the symbolist and expressionist influences at work upon the immediate post-art-school generation.

For the Whitechapel Open (the Whitechapel Gallery E1, until October 22: sponsored by Unilever) the limitations are not of age but of location. All artists, amateur and professional alike, are eligible who live or work in the City or the boroughs of the East End, north and south of the river. The tradition of this local show goes back more than 50 years, but, within the last 20, the remarkable colonisation by artists of the redundant factories and workshops of the East End, has drastically changed its constituency.

It is commonly said that the East End enjoys the highest concentration of soi-disant professional artists in the world, and it may well be so. The bald fact is that some 1200 of them sent in their work, of which 151 were successful (1: 8). The result again is a lively miscellany, this time of sculpture, prints and pots as well as painting, that reflects the generality of current preoccupation. As at the ROSL, there is much that is interesting and some things that are positively covetable. The prices in general are more than reasonable.

So far, so good, and yet that niggle of churlish doubt is still there. What is it quite that these exhibitions, and others like them, are trying to do? And is it worth doing? That word, "unexceptionable," offers a clue, for it is, perhaps, the very safeness and predictability of these exhibitions, and the very lack of anything to which we might take the least exception, that is paradoxically their most disappointing feature.

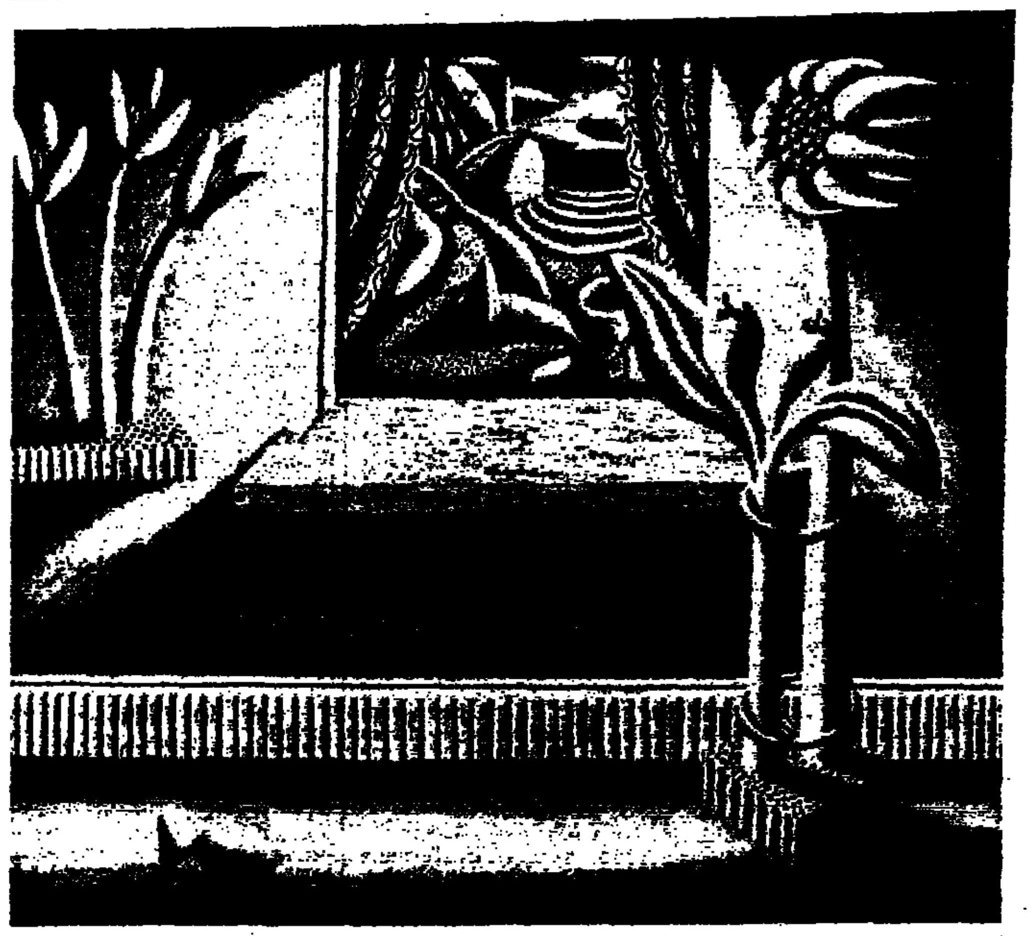
At Whitechapel in particular, with so many established artists to hand, the lack of major works, or anything genuinely surprising or even mildly controversial, is itself the big surprise.

Perhaps those artists did not send in, and all open exhibitions can only be the creatures of their submission. Perhaps precedence was given to the younger artists or the less well known. Perhaps the decision was taken to cover as broad a spectrum as possible.

The practice of open submission is not itself the problem, though one could well tinker away with it in detail. Fewer artists might be chosen, for example, and then invited to supplement their entry. And there might be fewer such encouragements reserved to the young, who have enough going for them as it is. But the essential plea is for something more positive: for a show with some form and purpose.

That said, these shows remain models of their miscellaneous kind, full of good and interesting things. The brief run of a bare 10 days is hardly enough to do the ROSL justice, but there I was particularly taken by Brian Sayers' dark still-life drawing of a bell and a key, by *Stacey Billups'* prize-winning painting of a much simpler drum-like form, luminous in a shallow space, and by Siani Rhys-James's sinister domestic crisis. The influence of Paula Rego is everywhere.

At Whitechapel, Mary *MacLean, only lately out of the* Royal College, Shanti Panchal and Edward Chell are quietly impressive and so too, of the more senior artists, are Frank Bowling, Marc Vaux and Ron Haselden. A portrait by Humphrey Ocean, Andrew *Stahl's eccentrically* monumental magician, Stephen Nelson's small book-like reliefs, the pots of Lucy Howard and Keiko Nakamura – all, and so much else beside, are admirable. Adam Reynolds' sculpture of a lead balloon is at once obvious and delightful.



"Interior With Curtains" by Robin Mason, winner of the first prize of £2,750 at the Royal Over-Seas League exhibition

Richard Santhiri and Yasmin Sidwa

Alastair Muir

Danton's Death

SHAW THEATRE

"Où sont les neiges, Danton?" cannot possibly be a new line, but it sure isn't Büchner's. Billed as an adaptation, Jatinder Verma's production for Tara Arts takes the skim off the play and proposes a new environment entirely: a re-enactment of scenes from the French Revolution performed by a group of Indian strolling players in London's East India Dock.

These are new immigrants and slaves – former ayahs, lascars, servants – mindful that the present Prime Minister, Pitt, is the grandson of the Pitt who ransacked their homeland. A satanic poet in England, the champion of doubt, is a blood brother of Danton. Robespierre is the absolute revolutionary, the hard-line fundamentalist who takes exception to soft talk and sensuality, despatching his "Iago," Saint-Just, to bring the political blasphemer to rough and peremptory justice. The actors explain the birth of theatre, in India, as an intended diversion sabotaged by the instinctive tendency to satirise the commissioning gods.

Somewhere in this lightweight farrago, a battery of ideas is piled up and crying to be heard. But they freeze in performance. I missed Tara's acclaimed transposition of *The Government Inspector* to the post-independence Punjab, but this *Danton* is a crushing disappointment from a company in business for 12 years. The physical movement is a crude and basic mix of traditional Indian and commedia dell'arte, and the third person continuing narrative concept too redolent of early Shared Experience, without the joy or panache. Of the six performers, in painted white half-masks, I warmed most to Shelly King as Robespierre and M Muraly as Danton. The percussion and wind accompaniment is expertly provided by the exotic upstage white-turbanned figure of V Chandran.

The connections with the source play become increasingly gratuitous, complexity and poetry replaced by tub-thumping intellectual parallelling, although we return to the death cell for the farewells of Danton and Desmoulins and a puzzling, less than razor sharp scene at the guillotine. The show ends up on its bottom between various stalls of Büchner, historical dislocation to late 18th century London, a message about Salman Rushdie, the *Marat/Sade* idea of serfs and inmates goosing the audience with hot metaphor, a response to Timberlake Wertenbaker's *Our Country's Good*. Gaia Shaw's promising design of a white canvas tent and playing area hung with dockside ropes and pulleys is transformed to Cleopatra's death throne, where she says farewell not to Antony but to Danton.

That lost me, but everything else suggested that if only Jatinder Verma can somehow translate and expand his undoubted talent as a stubbornly articulate analyst of the absorption by the West of Asian and African cultures (he has argued convincingly that the "not-Europe" of other continents exists today in the midst of Europe itself) into coherent theatrical language, then something very special will take place. That possibility alone makes Tara a significant company, and the ambition behind this *Danton* is tantalising.

After the Shaw (until September 30), the company departs on a tour taking in dates at Bradford, Worcester, Newcastle, Darlington, Bolton, Wolverhampton, Shrewsbury and Derby. The sponsors are Lithosphere Printing Co-operative.

Michael Coveney

Opera Northern Ireland

GRAND OPERA HOUSE, BELFAST

The annual short season – two productions and a total of seven performances only – this year offers *Faust* and *Don Giovanni*. Both works have already been given here in recent times (the number and type of Northern Ireland opera-devotees don't yet encourage much venturing off the beaten path in the matter of repertory).

The results show that in opera there are no rules, and no certain prophecies. *Faust* is done with freshness, energy, and intelligence – the choice of text is interesting (comprising a strong-minded attempt to get ever closer toward an unadulterated version of Gounod's *opéra-comique*), the crisply economical production style no less so. *Don Giovanni*, alas, is a thudder.

For *Faust* the conductor (Stephen Barlow) and producer (Bliss Hebert) have evidently agreed on matching ideas of style and content, since the musical performance has a weight and character that expertly chimes with the dramatic. Already at the Coliseum we have delighted in Edmund Tracey's reconstruction of the work with spoken dialogue. Here, the original language is essayed (capably so, on the whole, with surtitles and, far more helpful, a stiffening of two French natives to spur the audience along), and a version pruned of several later accretions shows even more clearly how naturally well suited Gounod was to the less ponderous forms of lyric theatre.

It's not yet possible to reconstruct an *Ur-Faust*, and won't be until the Gounod heirs release the manuscript. The general move away from Grand Opera aggrandisement has already brought about the work's rejuvenation, and this production marks a happy stage in the process.

Mr Hebert, a veteran American producer, and the experienced designer Allen Charles Klein have set the opera as a medieval folk-theatre play-within-a-play – the chorus sit ranked in wooden stalls, scene-changes are minimal, and props are neatly added and subtracted. This kind of production usually sounds the death-knell for any opera, but not here: the stage space and the intimacy of the Matcham theatre are in perfect accord, the dramatic and musical inadequacies of the chorus are disguised (the removal of the Soldiers' Chorus, a later addition, works to the same end), and best of all, the show moved along on Saturday with no stumbles or heavy pauses.

The sparkle and clarity of thought in the production find their focal point in Frédéric Vassar's Mephistopheles, a *boulevardier* portrayal crackling with suave Gallic wit. The scarlet feathers and tights are flashed with a splendid sense of pantomime absurdity (to hear a French singer tossing off spoken dialogue with easy polish is always a special delight), but the limits of comic relish are exactly judged, and never breached. Mr Vassar appreciates the elegance of his music; his baritone has no great depth of tone or range of colour, yet since his style is fastidious, keenly nuanced and legato-*taut*, Gounod gains infinitely more than when laid into by heavyweight "international" basses.

This is a collector's item worth crossing any number of seas to catch. The rest of the cast, not on this level, respond to the vivacity of the staging with admirable determination. The young French baritone Didier Henry sings a handsome Valentin (though he barks overmuch in the death scene); Kate McCarney (Siebel) and Therese Feighan (Dame Marthe) have worked hard at the language, and shape their lines with warm, beautiful tone. Stephen Smith from the US and Joanne Kolomyjec from Canada are Faust and Marguerite: neither of them smooth or graceful enough in floating words upon notes (Mr Smith's earlier incarnation as a baritone is still occasionally *glimpsed*), *both attractive*, responsible artists.

Mr Barlow, conducting the Ulster Orchestra, is at his best: the pace is expertly gauged, there is much savouring of Gounod's pointful orchestration, and much supple phrasing. The contrast between the "go" of Saturday's Faust and the punctured-balloon impact of the previous evening's *Giovanni* (also played by the Ulster Orchestra) was cruel and unavoidable. Kenneth Montgomery, the company's artistic director, is an experienced Mozartian who seems to be currently favouring a dainty view of the score, Viennese in the cliché sense of pastel shades and sugary sentiments. The shortage of forward momentum in Act 2 was famine-like.

Altogether, the *malheurs* of this performance should be passed over as speedily as possible; in this context, cataloguing ineptitudes of staging and design counts as a blood sport. On a previous visit to Opera Northern *Ireland, three years ago*, I much admired the *Ariadne auf Naxos* of the young Irish producer Seamus McGrenera; *Mozart finds him all at sea*, and a not unappealing cast (including Nicolas Rivenq in the title role, Kim Begley as Ottavio, Deborah Rees as Zerlina, and the promising Irish soprano Riona Bradley as Elvira) is left to sink or swim as best they may.

Max Loppert

Boys Mean Business

BUSH THEATRE

Catherine Johnson's new play, her second, is set on the beach at Weston-super-Mare, at a curved indent on the seaside promenade. The beer cans, cigarette stubs and general filth, such a feature of our holiday resorts and inner cities, are mostly the work of a throw-back punk, Will, who sleeps in his brother's photograph booth and emerges for a day's work in a pink furry animal costume.

Will drums up trade while brother Gary takes the snaps. These two, and Gary's wife, Natalie (Adie Allen), formed a 1970s band that once played in support of Siouxsie and the Banshees and the Boom Town Rats. Bob Geldof has moved on to save the world and mix with royalty, while Gary, who has just come out of the Army, and Natalie, pregnant for the second time, are merely struggling to make ends meet; Will has simply stayed where he was.

The play, written with great assurance and a penetrating wit, swivels around the arrival that day of the unseen Radio One Road Show in Weston, and Will's attempt to revive old glory by launching his new solo group, Boys Mean Business, in the live talent contest. Simultaneously, Gary's fate is drawing to a head on two counts: his affair with the poutingly lubricious schoolgirl baby-sitter, Dawn (Melissa Wilson), and his petty criminal involvement with a skinhead stooge, Elvis (Richard Graham), who is paying Gary £300 to stash in his wooden hut a *cactus plant secreting £60,000*-worth of cocaine.

Brian Stirner's enjoyable production keeps the ebb and flow of acrimony and revelation going very well until the last quarter of an hour, when the limitations of what is essentially a neat little television play are revealed. Too much happens too quickly and the climactic turmoils give way to long-term, rather soft, resolutions.

Even so, you want to know what happens to these people, who form a close-knit underclass in the enterprise culture, tomorrow's gulls, homeless, victims and pimps. A fundamental complaint might be that Miss Johnson, her explosives notwithstanding, aspires to the palatable, cosy joviality of a TV series like *Only Fools And Horses* rather than to the genuine Jonsonian model.

Reece Dinsdale is dourly disaster-prone as the shiftily deceitful Gary. But the knock-out performance is Paul Brightwell's as Will, a West Country roaring boy with a sure finger on the self-destruct button. The cleverly atmospheric design is by Michael Taylor, the delectably wafted babble of beach announcers and disc jockeys organised by Colin Brown.

Michael Coveney

Celebrating Sondheim

FESTIVAL HALL

Writing about Sondheim on this page is fraught with danger: "demons," in the shape of Coveney and Hoyle, "are prowling everywhere." Luckily, or not as the case may be, the problem scarcely arises in the context of Sunday evening's concert at the Royal Festival Hall, which was rather a celebration of the art of the "arranger."

At the opening Ned Sherrin, the amiable compere (some good Sky TV *jokes*, and one about Trevor Nunn that I didn't quite understand), proudly introduced the 64-strong BBC Radio Orchestra. Now 64 is not the number one would expect to find in a conventional theatre pit, nor would the sort of singer capable of delivering a Sondheim song with point and wit expect to have to compete with four horns, four trumpets and for all I know 76 trombones in addition to a healthy complement of singing strings.

The arrangements needed to give this outsize band something to do took the music light years away from the very special spare and astringent *tints* that Sondheim and his regular collaborators devise between them; that for "Not while I'm around" was peculiarly vile, and in general the seven soloists had to compete with a vulgar, generalised and all-purpose big-band sound. Only the numbers from *Sunday in the Park with George* were relatively unscathed.

As for the seven soloists, it all boiled down to whether or not they knew how to use a microphone, since Birgit Nilsson herself could scarcely have ridden the barrage of ill-organised sound blasting out behind them, and, of course, whether or not they sing words rather than just notes. Rosemary *Ashe* emerged triumphant on both counts: she's a real pro with bags of experience in opera, musicals and cabaret, and her singing "The miller's son" and "In Buddy's eyes" were two moments among all too few when the composer was given his due. Michael Ball, too, has real star quality as well as a singing voice and impeccable microphone technique, and he used all three to fine effect in "Too many mornings" without, alas, Miss Ashe. Stephen Hill, the third soloist with a voice and a feeling for words, proved thoroughly worthy of the *Sunday* extracts ("Finishing the hat" brought off with great distinction) but was sadly defeated by massed brass in "Giants in the sky" from *Into the Woods*; all the same, he sounds like a real Sondheim singer.

Presumably the chaotic sound can be remixed when Radio 2 (co-promoters of the evening) broadcast it "next April" according to Mr Sherrin, who may or may not have been joking. All the same, it seems a bit tough on those who had payed to hear it live. The conductor was Grant Hossack.

"Who do I have to screw to get out of this show?", Mr Sherrin reminded us, was the cry of despair from the lead on stage shortly before one of Sondheim's London openings, to be answered by the composer's voice from the darkened auditorium, "the same person you screwed to get into it". I just thought I'd end on a cheerful note.

Rodney Milnes

ARTS GUIDE

September 15-21

OPERA AND BALLET

London

Royal Opera, Covent Garden. The season opens with *Rigoletto*, in the underrated Nuria Espert production first shown last year. The cast includes Ingvar Wixell, Leontina Vaduva and Jerry Hadley, and the conductor is Sian Edwards.

English National Opera, Coliseum. The first new production of the ENO season is *A Masked Ball*, by the team (producer David Alden, designer David Fielding, conductor Mark Elder) responsible for the company's controversial *Simon Boccanegra*. Arthur Davies, Janice Cairns, Jonathan Summers and Linda Finnie take the leading roles. Further performances of the unevenly sung revivals which opened the season – *The Magic Flute*, conducted by Lothar Zagrosek, with Thomas Randle, Cathryn Pope, Alan Opie and John Connell; and *Katya Kabanova*, conducted by Albert Rosen, with Kathryn Harries, Pauline Tinsley, Edmund Barham, and Donald Adams.

Paris

New York City Ballet opens the 27th Paris International Dance Festival with a George Balanchine gala evening on Tuesday, continues with a Balanchine and Peter Martin evening on Wednesday and a Jerome Robbins evening on Thursday at the Théâtre des Champs Elysées (47203637).

Vienna

Staatsoper. *Le Nozze di Figaro* is conducted by Ivan Fischer, and sung by Margaret Price, Thomas Hampson and Horst Nitsche. *Rigoletto*, conducted by Leopold Hager, has a cast including Patrizia Pace, Waltraud Winsauer and Hans Christian. Mussorgsky's *Chowanschtschina* is conducted by Claudio Abbado and sung by Ludmilla Schemtschuk, Heinz Zednik and Joanna Borowska.

Brussels

Théâtre Royal de la Monnaie. The Monnaie Opera conducted by Sylvain Cambreling in Verdi's *Falstaff*. Jose Van Dam in the lead with Laurence Dale as Fenton, Ugo Benelli as Dr Cajus, Elzbieta Szmytka as Nannetta and Livia Budai as Mrs Quickly. Staged by Ilvis Pasqual (Sun, Tues).

Berlin

Opera: The new season starts with Jean Pierre Ponnelle's *Fidelio* production with a cast led by Janis Martin (Leonore), Carol Malone (Marzelline), Spas Wenkoff (Florestan), Jan-Hendrik Kootering(Rocco) and Gerd Feldhoff (Pizarro), conducted by Horst Stein. The magic flute has fine interpretations by Lucy Peacock, IsoldeSiebert/Eiflie Hobarth, Keith Lewis, Barry McDaniel and Gudrun Sieber.

Hamburg

Der Trovatore is sung by Giorgio Zacanaro, Franco Bonisolli, Sharon Sweet, Nina Terentjewa outstanding in the leading roles. *Der Barbier von Sevilla*, sung in Italian, in a wonderful Gilbert Deflo production.

Bonn

The new *Aida* production, by Jaques Karpo brings Rosalind Plowright, Livia Budai, Lando Bartolini together and is expertly conducted by Bonn's music director Dennis Russell Davies.

Frankfurt

Britten's *Ein Sommernachtstraum* is respectable with singers Jochen Kowalski, Audray Michael, David Bennont, Vladimir deKanel. Gyoergyi Benza repeats her much praised performance as Mimi in *La Bohème*.

Cologne

The rarely played one act operas by Rossini *La Cambile di Matrimonio/Il Signor Bruschino*, feature David Kuebler, John del Carlo, Teresa Ringholz, Janice Hall and Alberto Rinaldi.

New York

New York City Opera. The mixed repertory resumes this week with *Die Zauberflöte* conducted by Scott Bergeson in Lofti Mansouri's production with Elizabeth Hynes and Walter MacNeil; *Il Barbiere di Siviglia* is conducted by Sergiu Comissiona as well as *Mefistofele*, Lincoln Centre, New York State (877 4700).

Washington

Ennosuke's Kabuki. Traditional kabuki combined with modern techniques is the hallmark of the company, now led by the descendant of its original founder. Ends Sept 21. Kennedy Centre Opera House (254 3770).

The Count of Monte Cristo comes to Manchester

For the first time The Royal Exchange Theatre, Manchester is to join forces with the Palace Theatre for its new production of Dumas' *The Count of Monte Cristo*, starring Robert Lindsay.

This Royal Exchange production, directed by Artistic Director Braham Murray, will play in the Palace Theatre for five weeks from March 17, after which there are plans to transfer it to London's West End.

The decision to present *The Count of Monte Cristo* in the Palace Theatre was taken to enable as many people as possible to see the production, since the Palace seats 1200 more than the Royal Exchange.

Adapted by James Maxwell and Jonathan Hackett, *The Count* will be divided into two parts – *Treasure* and *Revenge* – which can be seen over separate evenings or in one day as a complete 2-part cycle.

The Count will be presented by a specially formed company, Exchange Productions, and Triumph Theatre Productions; the production team includes designer Michael Yeargan; Chris Monks, music; Fergus Early, movement; and lighting, Robert Bryan.

Robert Lindsay has starred in five other Braham Murray productions at the Royal Exchange, including *Hamlet*, *The Beaux' Stratagem* and *The Three Musketeers*, and this show will mark his return to the British stage following his award-winning success in the West End and on Broadway in the musical *Me and My Girl*.

FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700

Tuesday September 19 1989

Greens caught in the middle

SMALL PARTIES are being squeezed out of mainstream British politics, leaving an open field in which Labour hopes to challenge the Conservative Government head-on. Labour has begun to convince some voters that it is changing from a fustian vehicle for the promotion of socialism into a traditional European social democratic party. This has contributed to the party's advance to opinion poll ratings of around 40-45 per cent, which it has held for most of the past three months. The Tories are consistently trailing some 8 to 10 percentage points behind.

The smaller parties are dividing the bulk of the remainder between them, with the Social and Liberal Democrats and the Greens taking 6 per cent or so apiece and the rump Social Democratic Party half of that figure. Scottish and Welsh nationalists retain significant support in their own areas; if they are excluded from the United Kingdom tally the upshot is that the combination of Democrats, Greens and SDP is currently supported by about half as many respondents to polling questions as the Alliance managed to attract four years ago.

Watershed vote

These figures overshadow the successful performance of the Democrats at their conference in Brighton last week. The SLD leader, Mr Paddy Ashdown, is right to regard his party's vote for a multilateral approach to disarmament as a watershed. He can reasonably hope for some increase in support for the Democrats over the coming months. Yet the extent of any resurgence will be limited by the degree of support for the Greens, whose conference begins on Thursday, and the Owenite SDP, whose conference will be held next week. Under Britain's first-past-the-post voting system the jostling small parties have little chance of winning a significant representation in the House of Commons, yet they seem incapable of creating a new alliance.

There are several reasons for this. The two former Alliance parties are kept apart by differences of personality, not policy. The Greens are another matter. They propound a wide range of left-wing and other policies that have been abandoned by the rest, the most notable being unilateral nuclear disarmament. They are the most anti-European of all the parties, which is peculiar in view of the success of Green parties in West Germany. The British Greens surprised everyone by winning 15 per cent of the vote (and no seats) in the recent elections to the European Parliament, but some of those who voted for them may have done so in ignorance of the proposal to withdraw from Nato, or the set of economic policies that would discourage growth.

Power and circuses

This week's conference agenda alludes to many issues, including a proposal to return circus animals to the wild, another to close all nuclear power stations and yet another to cut Britain's population in half by persuading families not to have more than two children. There are respectable arguments in favour of each of these propositions, but they will nevertheless sound absurd to many potential supporters. The party finds itself in this position because, far from concentrating on a single issue (the protection of the environment), it has developed opinions on many subjects. To green fundamentalists this is all of a piece: in their view the planet is threatened by the growth of industrial production, over-population, all things nuclear and, in consequence, capitalism, inequality and the creation of a single European market in 1992. To politically well-attuned members of the party this week's conference should be an occasion for establishing both a coherent structure on the organisation and a set of policies capable of attracting lasting support.

Most of Britain's registered voters are concerned about the protection of the environment, and about a third put it as the issue of greatest concern. This is unlikely to translate into equivalent support for the Green party, partly as a consequence of the party's espousal of a fundamentalist philosophy that most voters will have difficulty in understanding, and partly because of the general sense that small parties have nowhere to go.

Wage discord in Australia

THE GREAT difficulty with centralised pay agreements between governments and trade union federations is that, when their usually short lives expire, the distortions and anomalies which they have created begin to unravel in an unpredictable way.

Australia is the latest example. The Labor Government, led to a record three successive victories by Mr Bob Hawke, the former president of the Australian Confederation of Trades Unions, has based its policies on a centralised pay accord with the unions.

Each year the accord has been renewed. In spite of some necessary cuts in real wages forced by Australia's serious economic plight, the traditionally aggressive industries such as mining, shipyards and construction have been mainly quiet. Now, less than a year from a general election, the credibility of Mr Hawke, his Government and the pay accord hang on the outcome of a strike by domestic airline pilots in support of a 29.5 per cent pay claim (21 per cent for "past productivity not paid" and 8.5 per cent for cost of living).

The five-week strike has grounded both major domestic airlines. They are losing A$20m (£9.9m) a week and are trying to replace the 1,600 pilots, who have resigned *en masse*, by recruiting abroad.

Complex issues

The dispute is more complex than it looks: it is not just a matter of one of the highest paid groups in the country using its muscle to extract a huge pay rise while the accord allows rises of 6 per cent for workers with much lower salaries and much less industrial power. It is also about the pressures which occur when part of an economy is regulated while other parts are deregulated and about the extreme difficulty of imposing centralised wage-fixing throughout a mixed economy.

The Australian wage accord dictates that unionised wage rises should be traded off against productivity. The litmus test is always whether employers can get the required productivity gains. But neither the Government nor the employers have asked the pilots what they would be prepared to offer in return for a wage rise, insisting that the structure of the accord based on 6 per cent must be accepted before there can be any negotiation. If Mr Hawke's claim that the pilots spend only eight hours a week "behind the stick" is correct, there would appear to be huge productivity gains that might be negotiated, not to mention a possible no-strike agreement for the future.

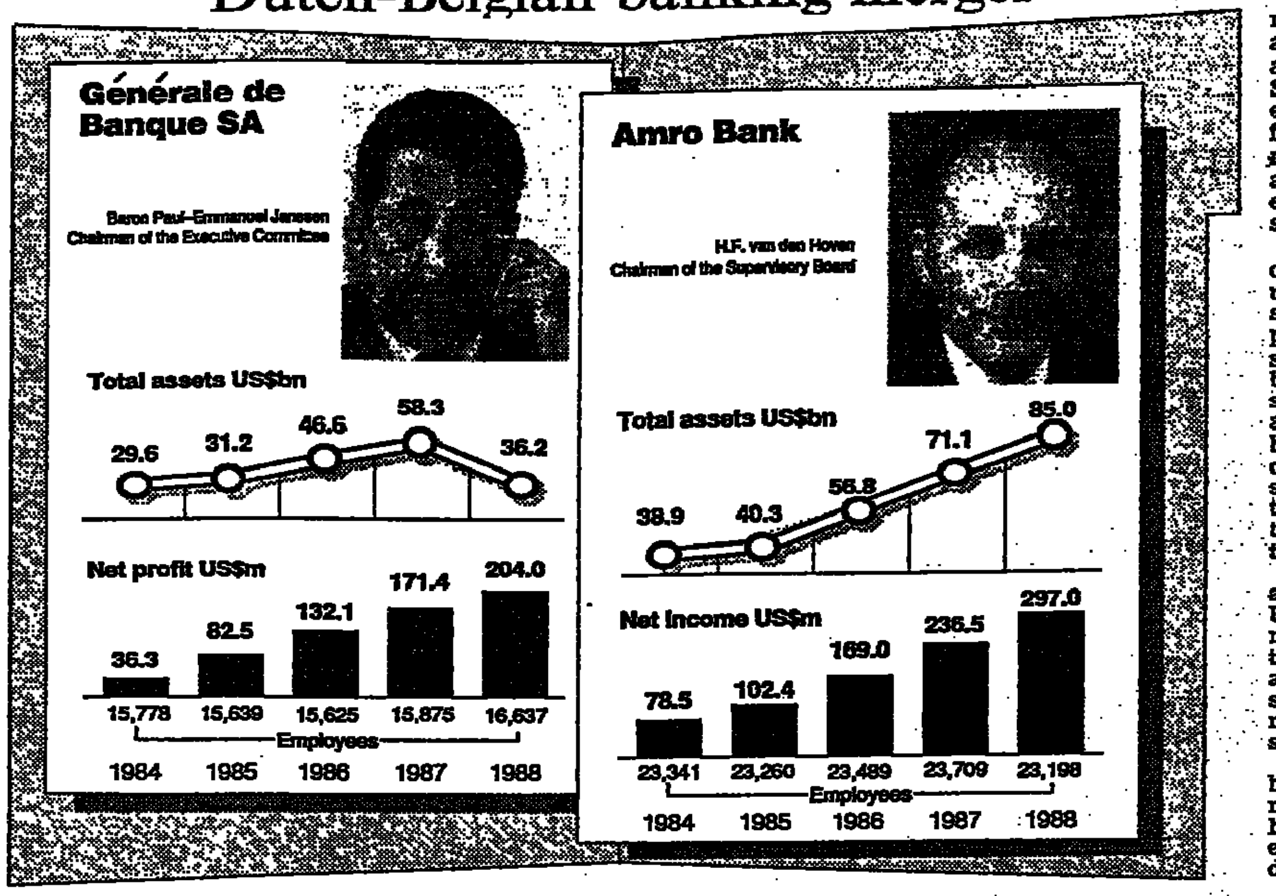
Difficult strategy

This all comes at a time when the Australian economy is in difficulty. Inflation, overseas debt, interest rates and the current account deficit are all registering alarmingly large figures. The strategy of Mr Paul Keating, the Treasurer, is to slow the overheated economy into a soft landing. This was going to be difficult enough in normal circumstances. The new danger is that prolonged mishandling of the airline strike could precipitate a crash landing.

There is a more optimistic alternative if only Mr Hawke can find a way out of the corner into which he has boxed himself with the pilots. Ideally he should get the employers and the pilots together through one of the many industrial relations mechanisms that are available and lower the Government's profile in the dispute.

Australian labour relations are at a turning point and the centralised pay accord may be going the way of others before it. The Labor Party could turn this to its advantage, going into the next general election with a new industrial relations policy. Having used the consensus over wages to curb Australia's chronic tendency to pay itself more than it earned, Mr Hawke could move towards the next phase: a system of decentralised pay bargaining which is appropriate for an efficient deregulated economy. That would be a remarkable platform for the former leader of the trades union federation, but no more remarkable than the way in which he has so far managed to force some economic realism into the Australian psyche.

FT writers examine the collapse of a Dutch-Belgian banking merger



An engagement has been broken

By Tim Dickson and Laura Raun in Amsterdam and David Lascelles in London

The collapse of the proposed merger between Amsterdam-Rotterdam Bank of the Netherlands and Générale de Banque of Belgium may disappoint those who expected the European Community's single market plan to produce a sweeping realignment of the European banking scene.

But it will also reinforce the growing belief in financial circles that banking throws up special difficulties when it comes to mergers and alliances. Although some tie-ups are going ahead with a view to exploiting cross-border possibilities – notably that between the Royal Bank of Scotland and Banco Santander of Spain – other banks seeking a foreign partner will now have good reason to pause and take stock.

Aside from the highly personal nature of banking and the delicate management and customer relations involved, the collapse has pointed up the enormous technical difficulties of arranging an EC marriage, and the need to approach such links with caution.

The collapse is all the more eye-catching because, from the outset, the Amro-Générale de Banque deal seemed to have all the right ingredients and had come close to becoming a symbol of European banking integration.

The Dutch and Belgian banks were both large players at home but struggling to make an impact abroad; both were strongly oriented toward the retail market in similar export-based economies, and they shared a common cultural and linguistic heritage: when Générale de Banque's forerunner was founded in 1822 – before the existence of the Belgian state – it was on a royal charter granted by King William I of The Netherlands.

But the architects of this highly ambitious venture seem to have failed to find a suitable structure to encompass each bank's desire to maintain its national identity at home while merging activities outside the Benelux countries.

The question remains whether the impasse has more to do with lack of progress in fashioning cross-border European Community legal structures – the much trumpeted and much delayed European company statute, for example – or a straightforward clash of personalities and cultures.

Yesterday's insistence by the two chairmen, Mr Roelof Nelissen of Amro and Mr Paul-Emmanuel Janssen, that they will continue to co-operate in carefully selected areas suggests that they have now switched to a more pragmatic – if less visionary – approach than trying to create a fully integrated, multinational banking group.

In a way, the coming together of the two sides in the first place could be described as a shotgun engagement. Talks between Amro and Générale de Banque had already begun but the timing of the announcement of the proposed alliance in February last year was undoubtedly prompted by Mr Carlo De Benedetti's bold bid for Société Générale de Belgique. La Générale was, and still is, the largest single shareholder in Générale de Banque – currently it holds around 13 per cent – and the idea of a mutual share swap, including options to raise the stakes in each other to 25 per cent, was a convenient prophylactic.

The first outward sign that all was not rosy came with the earlier-than-expected retirement of Count Eric De Villegas, the chairman of Générale de Banque, who was the chief driving force on the Belgian side. His equally aristocratic but more down to earth successor, Mr Janssen, has appeared more sceptical about the marriage, and despite the beaming smiles and bonhomie at yesterday's press conference in Amsterdam apparently has not enjoyed the same rapport with Mr Nelissen.

His doubts first surfaced publicly in a remarkably frank interview earlier this year, when he said that a full merger stood a 50/50 chance of success. And yesterday, his pragmatism was evident in his observation: "You have to start with something concrete not with the abstract."

That tangible joint projects have been limited to the closure of Amro's Antwerp branch, the setting up of "Eurodesks" in both territories to cater for small and medium customers, and limited international co-operation was perhaps the clearest evidence that more than good intentions and Euro-euphoria were needed to make the alliance work. But to some extent the two banks blame the market environment for their failure to merge their activities more fully.

"Perhaps the circumstances are not ripe for such ambitious mergers," lamented Mr Janssen. "Today, as the market stands, the customers are not ready." Mr Nelissen added: "Bank customers want to speak to and have contact with a bank near them."

Much was said yesterday in general terms about the technical problems – notably in legal and tax matters – encountered during the detailed negotiations of the last 18 months. For example, the jointly owned company, Tuba International, set up to hold their mutual 10 per cent share stakes – and which will now be replaced by direct share stakes of 5 per cent in each other – apparently ran foul of the regulatory authorities because as a result they were effectively owning their own shares.

On the question of whether the proposed European company statute – still at the conceptual stage in Brussels – would have helped facilitate the merger, Mr Janssen was ambiguous.

He said the idea was a long way from fruition and was complicated "by differences in how employee participation should be reflected in this new legal form." But he added: "If we had one type of European society, then one shoe would fit."

Perhaps the real clue lies in the observation of one Amro director yesterday who admitted that fiscal, legal and corporate structures were available but that none were acceptable to both sides. "There was nothing neutral, they all had to be either Belgian or Dutch."

The two banks' determination right from the start to preserve their own separate identities in their respective home markets was arguably the biggest obstacle of the lot – a fact that will reinforce the view that managements create their own obstacles to mergers.

Another common characteristic of both Belgian and Dutch corporate cultures is the almost obsessive fear of hostile takeovers – notwithstanding the contrast between the very strong anti-takeover defences in the Netherlands and the much weaker ones in its southern neighbour. Asked whether Amro might fall prey to a corporate raider now that the ties with Générale de Banque have been loosened, Mr Nelissen replied defensively that the questioner was posing the "unimaginable." His comment was echoed by Mr Janssen.

It is precisely this sort of jealous regard for their corporate independence which may lie at the root of the failure of a brave experiment. This may also enable Euro-enthusiasts to claim that there were particular reasons for the marriage's failure which need not be extended to the general. Even so, the euphoria which greeted the original plan for a single banking market had already begun to evaporate and European bankers' actions have generally been notable for their caution rather than their daring.

Only a handful of banks have made a point of using 1992 as a pretext for acquiring or developing businesses. Crédit Lyonnais, the state-owned French bank, has bought banks in Belgium, the Netherlands and Italy. But these are mainly small operations which give Crédit Lyonnais a foothold in another market rather than create the building blocks for the pan-European bank of the future.

Deutsche Bank has also been making acquisitions, but for selected businesses rather than a grand alliance. And its biggest deal, the acquisition of Banca d'America d'Italia, occurred before the 1992 plan took shape, which suggests that some so-called 1992 deals would have happened anyway.

Some banks have also used the 1992 pretext to diversify into new lines of business, particularly fund management, as in the case of Dresdner Bank and Société Générale of France.

Mr Marc Viénot, chairman of Société Générale, is among those who believe that if banks are to expand abroad, they must do so in carefully identified markets – and these do not include retail banking.

"We have selected special techniques which we can develop profitably," he says. Aside from fund management, these include leasing, where Société Générale claims to be the largest in Europe, and consumer credit for which his bank has bought companies in other countries. He is sceptical about banks exchanging stakes in each other "unless there is a clear strategy."

The RBS-Santander partnership could still become a model for medium-sized banks who feel they are too small to achieve a strong EC market position on their own. It involves a small cross-shareholding which is the basis for a number of joint ventures, staff exchanges and branch-sharing arrangements. All this is underpinned by technological links and a video-conference facility. But the deal is still less than a year old and has yet to convince the sceptics who doubt that much can come of such ties once the initial enthusiasm wears off.

One bank which has firmly decided against an alliance is Barclays, the UK's largest. Mr Andrew Buxton, the managing director, said yesterday that his bank had examined alliances and cross-shareholdings at an early stage, but had concluded they would not be useful other than in small, specialised markets.

"Barclays set out to be a global business, and we need to have a dominant shareholding in that situation," he said. He feels that the problems encountered by Amro and Générale de Banque bear out Barclays' view.

Barclays is, of course, big enough to tackle the EC market on its own. But similar doubts were expressed yesterday by Lloyds Bank, which is half Barclays' size.

"I do not see how alliances could give us a stronger competitive position," said Mr Michael Thompson, the deputy group chief executive. "It doesn't do anything for the shareholder and nothing for the customer." He said that he would have to be convinced that the impetus for an alliance came from "the bottom up" – in other words from the market – rather than from the top down in the form of a loftily conceived grand strategy.

Altogether bankers' attitudes amount to a recognition that it is extremely difficult for a bank to establish itself in a foreign market. Any bank which attempts to do so on its own must break into tight-knit local relationships, and establish its name to a degree that will cause people to entrust it with some of their most personal matters. Alternatively, the entry has to be made through acquisitions or alliances which history has generally shown to be extremely difficult to manage.

Conversely, bankers are also conscious of the need to protect their own markets against possible foreign invaders hoping to take advantage of the removal of barriers. Thus, for many of them, 1992 put them on the defensive, rather than stirred their aggressive instincts.

In the most authoritative survey yet conducted of banking attitudes towards 1992, the Bank of England earlier this year concluded that the single market will accelerate the evolution of European financial markets in line with established global trends, but that it will not usher in a "brave new world."

While the top corporate banking markets are already highly internationalised, the Bank concluded that retail financial markets would remain fragmented for many years to come because of deep-rooted structural and cultural factors. As a result, it was unlikely that many pan-European financial products would appear in the near future. Amro and Générale de Banque appear to have supported the Bank of England's findings.

OBSERVER

Brains of the SDP

■ There is still a certain amount of intellectual life in and around Dr David Owen's Social Democratic Party: witness the Social Market Foundation, for instance, which yesterday brought out its pamphlet Europe Without Currency Barriers with essays by our own Samuel Brittan and Michael Artis, Professor of Economics at the University of Manchester.

The Executive Director of the Foundation is Lord Kilmarnock, one of the 20 or so remaining SDP peers.

Kilmarnock is perhaps better known by his writing name: Alastair Boyd. He says that his life falls into two parts: politics, and books about Spain. He wrote a book called The Road from Ronda which, as the spelling indicates, is not about the Welsh valleys, but Spanish villages.

Currently he is writing about the mountains of Andalucia. There will be politics in it, he says, but only Spanish politics. "For example, whatever happened to Spanish anarchism? Did it simply turn into communism?"

Kilmarnock/Boyd went to Spain for the family business in 1951. It was a small broking firm called Harris and Dickson with an office in Bilbao. He returned to England when his father died in 1975 and entered the House of Lords as a cross bencher. When the SDP was formed, he was one of its earliest members.

Kilmarnock is sticking firmly to Owen, despite the split in the Alliance and the formation of Paddy Ashdown's Social and Liberal Democrats. The Social Market Foundation, however, intends to have very much an arm's length relationship with Owen's Party. As an organisation, the model is the Institute for Economic Affairs: committed to a subject, but not to party political writers.

The Brittan/Artis pamphlet is the third so far. Kilmarnock wants the strike rate to go up to about one a month with a very radical essay on taxation policy appearing before the next budget. He insists that the money, such as it is, does not come from the usual SDP sources like David Sainsbury. To prove it, an appeal will going out shortly for funds.

Meanwhile, at the forthcoming party conference in Scarborough Owen will not only lead a cricket team, but take on Nigel Short, the British champion, at chess.

All comers

■ Something went wrong with Chevron's advertisement for accounting assistants in yesterday's London Standard. The last line read: "Chevron welcomes sex with all suitably disabled people regardless of size of bank balance."

Still pumping

■ Almost 20 years ago to the day, an item appeared in the old Men and Matters column of the Financial Times about David and Goliath in the pumps industry. Peter Hooper, then described as "a chubby 38-year-old", had taken over as head of the UK end of the Danish-owned Grundfos operation, and was boasting that he could raise its share of the domestic market from three per cent to 35 per cent within three years.

He did that long ago. About two-thirds of the domestic heating circulators now being installed in British homes are made by Grundfos.

Hooper, now a chubby 58-year-old, turned up in the office the other day to remind us. He is a man who plainly loves his industry and his firm.

"Pumps are consumer engineering," he says. "It goes back to Archimedes and that original discovery in the bath. Pumps are a design for living, in the third world as well as the first."

What he stresses is quality and customer service. The public is not always directly involved. It is a question of spreading the word among tradesmen and central heating system makers. Although Grundfos has continued to expand internationally, the quality still comes from Denmark where the company has just established a new technology centre for research and development.

Grundfos has rewarded its British pioneer. In 1985 he became the first non-Dane on its top management team as executive vice-president for group sales and marketing. He now lives in Denmark, but travels widely. "The pumps market is a bit flat at the moment," he says, "but a lot of work is being done on new materials."

Sea change

■ Cynics point out that the crowds which marched through the streets of Johannesburg, Cape Town, Pretoria, and Port Elizabeth last week would not, taken together, fill a football stadium in Soweto on a Saturday afternoon.

One could throw in the teeming Namibian masses who turned out in Windhoek last Thursday to greet their returning hero, Sam Nujoma of Swapo; and the motley crew of women, right-wing crusaders and anti-apartheid activists who plan further marches this week in South Africa. The total might still not exceed 50,000 people, and certainly would not top 75,000 – scarcely the sort of crowd to give (say) Mikhail Gorbachev, the Soviet President, a sleepless night.

But within the narrow confines of South African political life, some of my friends insist, last week's marches – and F W de Klerk's decision to allow them to happen – are events of considerable significance.

The familiar South African cycle by which violence begets funerals, which beget more violence and more funerals, was broken for a few days last week. The funerals still took place, for the 15 or more people killed in election night violence on September 6. But the main political consequence of their deaths was a peaceful procession through Cape Town, which was more celebration than wake.

In the same streets where police had whipped and teargassed some of the same demonstrators attempting to stage the same march 10 days earlier, there was not a uniform to be seen.

This week there will be more marches, and probably more yet the week after that. That is why everyone is wondering whether they will get out of hand, or was last week a breakthrough?

First stop

■ Sign in the rear window of a car being driven by a young man in Holborn: "London to Moscow via Dartford."

LETTERS

Designed to encourage a 'European' culture

From Mr Eric Salama.

Sir, In attacking the proposed European Community directive on broadcasting (FT leader, September 14), you risk making the mistake of seeing 1992 in purely economic terms. The issue is not one of consumer choice or regulation.

In seeking to encourage a European culture through film, the EC is reflecting a largely non-British tradition of seeing unification as a political as well as an an economic goal.

After all, it was the desire to bring France and Germany together after the war, rather than a wish to create an economic superpower or a free trade area, which provided the impetus for the EC's creation.

At times this tradition has implied protectionism. However, the clause encouraging the production of EC programmes would have no legal sanction.

It cannot be compared in any way to the 1927 and 1937 Film Acts; these were protectionist, imposed quotas on the importation of American films, and spawned the production of cheap and awful "quota quickies" as the way of artificially raising the number of UK productions. There is a strand of anti-Americanism in the Community which we must fight. But there is also a legitimate desire to promote a European identity with which it should not be confused.

Is the encouragement to EC film-making any different from the abolition of a separate UK passport control at airports or the easing of border controls or the financing of events such as European music year?

All are primarily symbolic acts designed to encourage the promotion of a European culture. They would be seen by some as integral to the idea of unification.

It is not a goal which Mrs Thatcher would endorse. But neither is it protectionist in the way the EC's policy on financial services was, and that on public procurement is likely to be.

Eric Salama,
The Henley Centre for Forecasting,
2-4 Tudor Street, EC4

Money wins in sport

From Mr M.D Varcoe-Cocks.

Sir, Michael Thompson-Noel (September 13) rightly praises the BBC's presentation of sport on television in general, and their commentator and John Barrett, your correspondent, for their tennis contributions in particular.

British fans would like to know why neither the terrestrial channels (BBC/ITV/Channel 4) nor the much-vaunted satellite channels showed a single shot of the US Open tennis championships (widely considered the second most important tournament after Wimbledon (and considered to be, by many, Wimbledon's equal in terms of strength of competition).

US Open tournament contained some extraordinary matches: Martina Navratilova's narrow failure to beat Steffi Graf in straight sets in the women's final; Jimmy Connors's amazing three-set demolition of Edberg and his five-set defeat by Agassi; the men's final between the world's top two players, Lendl and Becker.

We did, however, have the over-hyped athletics World Cup on at least three of the terrestrial and one of the satellite channels, the Italian Grand Prix (both "live" and in highlights), not to mention four hours devoted to the start of the American football season.

As with many current sporting issues, money is much more important than sports fans' interest in big events in popular sports.

Michael Varcoe-Cocks,
17a Nevern Mansions,
42 Warwick Road, SW5.

This holds no water

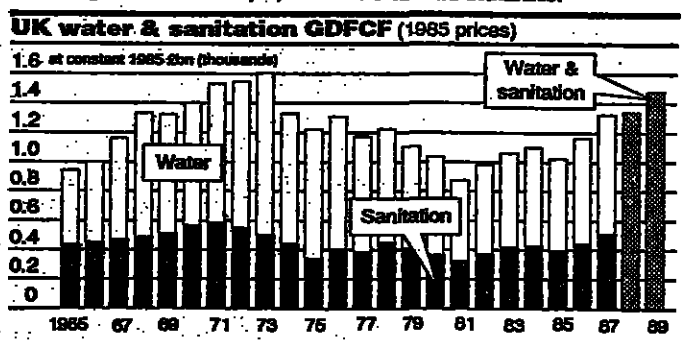
From Mr John Wells.

Sir, In stating that "investment in the water industry fell by half during the final term of office of the last Labour administration" Mr Edwin Hamilton (Letters, September 15) is probably simply retailing similar oft-repeated claims made by Government ministers.

One such is Mr Nicholas Ridley who, on BBC1's television programme Question Time on September 14, dated the investment cuts to the period following the Government's recourse to the International Monetary Fund in 1976.

Here are estimates of GDFCF (Gross Domestic Fixed Capital Formation) in the water supply and sanitary services industries at constant 1985 £ prices (that is, in real, inflation-adjusted terms) for the period 1965-1989/90, based on official statistics:

UK water & sanitation GDFCF (1985 prices)

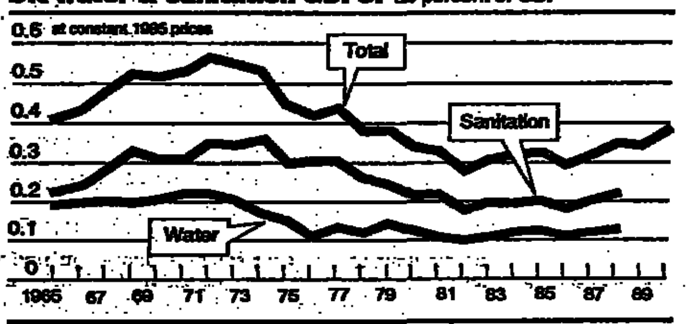


Your readers must judge for themselves whether Messrs Hamilton and Ridley have correctly described the situation; I should have thought not.

Certainly the record of the present Government is nothing to write home about. In each of the years 1980-1986, GDFCF in water and sanitation was less than in every year of the previous Labour government. Indeed, it is only in the current year (1989-1990) that investment has moved ahead of the levels which prevailed at the end of the 1964-1970 Wilson (Labour) government.

In fact, what is so striking about the water industry is how exceptionally depressed investment has been over such a long period of time — both in absolute terms and also as a percentage of gross domestic product, as the second chart shows:

UK water & sanitation GDFCF as percent of GDP



However, *pace* Mr Bryan Gould's warnings to potential investors (September 14): if, under a future Labour government, the water industry will be expected to invest more, but will not be permitted to raise its prices as much as under the current regulatory regime, where in the economy are the savings to be generated to finance the increased levels of investment? Thus, where does Labour stand on the "polluter must pay" principle?

John Wells,
Faculty of Economics and Politics,
University of Cambridge

Statistical note: for the years 1965-1987: GDFCF in the Water Supply Industry (Blue Book series DFPM) plus in Sanitary Services (DFQC) at current £m, deflated by implicit deflator for "public corporations: other new buildings & works" ((DEES|DEEX). Updated to 1988-1989 and 1989-1990 with data (in cash £m) from Government's Expenditure Plans: 1989-1992, *deflated by the Government's projected Gross Domestic Product deflator.*

Currency in the EC

From Mr Richard Portes.

Sir, FT leaders and reports and Samuel Brittan's "Variations on Delors" (September 7) discuss "currency competition." But all of us should be concerned with currency substitution.

Samuel Brittan rightly stresses that currency competition with floating rates has little to do with European monetary union (EMU) and requires few measures of either promotion or control. Currency substitution with fixed rates, however, is different. It would ultimately require not only monetary policy co-ordination but joint control over the aggregate of national money issue. Much sooner, "free" currency substitution could raise two serious threats to EC monetary and political stability.

First, with truly fixed rates, a national monetary authority could extract from its EC partners the seigniorage from money issue with little inflationary impact on itself. This would be especially tempting as a policy for small countries. It could not be permitted.

Second, there are increasing returns to the use of a currency as a medium of exchange. This creates potential instability: the more the Deutsche Mark (say) is used, the more attractive it will be. This is not a problem if rates are perceived as irrevocably fixed — a matter of convention, as with English and Scottish notes. But if there is any residual uncertainty about the commitment to fixed rates, the possibility of significant shifts in the demands for currencies may make fixed rates themselves untenable.

Richard Portes,
Centre for Economic Policy Research,
6 Duke of York Street, SW1

Credit calculated

From Mr D. Richards.

Sir, Mr Spencer (Letters, September 13) complains that British Telecom sends its red-print letters for payment of telephone bills after only 21 days.

The fact is that, by the time he gets his reminder, he has already received 66 days credit. Like electricity boards and British Gas, BT bill quarterly in arrears. This means that apart from the rental, and assuming telephone calls are made evenly over the period, he will already have received 45 days credit on average by the time his bill is calculated.

D. Richards,
20 Alexandra Drive,
Surbiton, Surrey

Sound of discord

From Mr John Gardner.

Sir, *Crescendo* is an Italian gerund meaning "getting louder" — more literally, "growing." Therefore one cannot, with any literary elegance, build to it. If you will use a musical metaphor (FT leader, September 16), say "build to a *fortissimo*" (a very loud sound).

John Gardner,
20 Firswood Avenue,
Ewell,
Epsom, Surrey

Making sense of energy

From Mr Alan Meier.

Sir, BP's September 7 advertisement illustrates more of the energy dilemmas than BP imagined.

In this advertisement BP describes how its solar modules permitted an African schoolboy to study late into the night. A full-page colour photo shows a bare incandescent light bulb hanging above the schoolboy's desk.

But the same amount of illumination could have been provided with over 60 per cent less energy if BP had also thought to exchange the incandescent bulb for a compact fluorescent one. (Compact fluorescent bulbs are considerably less exotic than solar modules, and they are available in most hardware or lighting stores.)

More important, the size and cost of the overall system could have been greatly reduced by this simple modification. Alternatively, three schoolboys could have studied with the same solar module presently used by just one.

The failure to optimise energy efficiency and generation investments may be clearer in the simple case of an African schoolboy, but they are no less lopsided in customary practice in the developed world. The cost of improving the efficiency of refrigerators, lights, heating systems and so on is much less than that of generating the electricity.

These issues become increasingly important in a more environmentally conscious world — and especially significant to the UK as it experiences a market dominated by private electricity suppliers.

Alan Meier,
Energy and Environment Division, Lawrence Berkeley Laboratory,
University of California,
Berkeley,
California, USA

Politics in Indonesia

From Miss Carmel Budiardjo.

Sir, Your correspondent in Jakarta, surveying Indonesian foreign policy since the downfall of Sukarno and judging the chances of President Suharto's latest bid to win chairmanship of the Non-Aligned Movement (September 7), does not mention the important obstacle standing in the way on two previous occasions: Indonesia's invasion of East Timor, in December 1975.

Its annexation of East Timor (which is not recognised by the United Nations) and the high death toll visited upon its people (some 200,000 people dead out of a pre-invasion population of about 700,000) is hardly a suitable record for a country claiming leadership of a movement founded to uphold non-interference, national sovereignty and self-determination.

Nor should your correspondent have omitted to mention that, nearly 14 years after the invasion, the head of the Catholic Church of East Timor, Bishop Carlos Filipe Ximenes Belo, made a call in February this year to the Secretary-General of the UN, for a referendum. "The people of Timor must be allowed to express their views on the future," he wrote. "Hitherto the people have not been consulted . . ."

Your correspondent could hardly be unaware of this appeal, for the authorities have done their best to discredit and isolate the Bishop ever since — though he could be excused for not knowing the contents: under the censorship constraints now in operation the text was not published in the Indonesian press. We must hope that the heads of state who attended the summit meeting in Belgrade were better informed.

Carmel Budiardjo,
Tapol,
111 Northwood Road,
Thornton Heath, Surrey

Credits could accumulate over a working life

From Mr J.D. Maiden.

Sir, Following your article on training for and in industry (August 29), could I make a few observations on national vocational qualifications from the standpoint of the Construction Industry Training Board, an organisation which is leading the development on behalf of one of the large industrial sectors?

We are anxious to develop a framework of vocational qualifications which will provide flexibility for both individuals and employers alike. Employers need workers with differing skill levels in a range of occupations and, in addition, people with a "mix" of skills. Furthermore, they require a training system flexible enough to provide opportunities to update and/or extend these skills in quite specific areas.

It is this flexibility which will allow industry to respond much more quickly to changes in economic conditions, and meet the changing demands of the marketplace. This is particularly true of the construction industry, where peaks and troughs in demand have caused regular skill shortages.

Similarly, the individual needs to be confident that opportunities exist for career development throughout a working life, and that he or she will not be restricted to a package of skills acquired through vocational training in the past. Just as market conditions change for employers, so they do for employees; we should not lose sight of this.

A framework of vocational qualifications which allows for the accumulation of credits over an extended period — even a working life — provides the flexibility industry is looking for, while at the same time offering real opportunities for the individual to progress through Levels I-IV and beyond, given the will and the ability.

It is certainly pessimistic to regard a basic (Level I) qualification as an indicator of under achievement. We have sought to establish with industry a hierarchy of qualifications recognised and valued by employers, which provides for progression from foundation to craft levels and beyond.

J.D. Maiden,
Chief Executive, Construction Industry Training Board,
Bircham Newton,
King's Lynn, Norfolk

Asleep in the Garden for 100 years

From Mr Paul Findlay.

Sir, With reference to the final paragraph of Andrew Clark's interesting review of Halevy's La Juive at Bielefeld (FT Arts page, September 15), your readers may be interested to know that during the past year the Royal Opera has been planning a production of Halevy's La Juive — an opera not performed at Covent Garden since 1893.

The new production, designed by Gottfried Pilz, will be premiered in 1993 and the producer, as at Bielefeld, will be John Dew.

Paul Findlay,
Royal Opera House,
Covent Garden, WC2

FOREIGN AFFAIRS

Why Europe may become a region

The West cannot afford to wait and see in eastern Europe, argues **Edward Mortimer**

Having correctly identified 1989 back in January as "the year of eastern Europe," I am not quite sure how I came to put myself down once again for the "regional conflict" committee at this year's conference of the International Institute for Strategic Studies in Oslo.

Not surprisingly, almost everyone in the committee appeared to wish they were somewhere else, preferably along the corridor where the subject was "the impact of change in eastern and western Europe." One or two participants daringly suggested that eastern Europe might also be a "region", and thus fall within our terms of reference.

This was firmly and no doubt correctly ruled out of order by the chairman. But what they were discussing along the corridor, whether or not they realised it, was indeed the possibility that Europe's unique status in the postwar world order may be coming to an end; that Europe may indeed be in the process of becoming a "region" of the world like any other.

For 40 years Europe has been unique because it was the "central front" of the Cold War, on which both superpowers were (and are) physically present with their own armed forces, directly confronting each other with only a mile or two of barbed wire between them. That has imposed an abnormal stability: no upheaval could be risked on either side lest it trigger a global confrontation. "Regional conflicts" have been conflicts outside Europe, because no one imagined that a European conflict, if one occurred, could remain a regional affair.

The disadvantages of this state of affairs are debatable, but in any case unequally distributed: easily bearable for most people in western Europe, clearly much less so for most people in eastern Europe.

The benefits, on the other hand, have been too obvious to need stating. Whatever Europeans may hope for from the end of the Cold War, it is not that their continent might become the theatre of "regional conflicts" such as it knew in the past, or such as other regions are experiencing now.

There is thus nothing surprising or shameful in the fact that western strategists tend to react to change in the East with caution as well as excitement. In Oslo, general acceptance of Mr Gorbachev's benign intentions was combined with acute uncertainty about the pace and direction of the processes he has unleashed.

Of four scenarios offered by a leading western Sovietologist, the most optimistic was that short-term measures to improve living standards might be effective enough "in three or four years" to strengthen Gorbachev's political base (but does he really have that long?), while the more radical restructuring of the Soviet economy "would begin to show results in a decade or two". The worst was a "back-lash regime in which Russian nationalists and the military could be among the dominant elements." But another speaker added a fifth: "a quick revolutionary change, unforeseeable in its developments and much richer in open conflicts even than it has been so far." This scenario, accepted as plausible in the ensuing discussion, was generally treated as the most dangerous of all. If anyone thought it a consummation devoutly to be wished they kept the thought to themselves.

A Soviet government preoccupied with restoring order at home may wish to avoid international crisis

One other statement which appeared to command general assent was that "the period of maximum uncertainty" will be the next three to five years. That being so, the case for the West to hold on to and if possible strengthen its alliances and see what happens, might seem overwhelming. Indeed it was powerfully argued, and if we were dealing only with the Soviet Union it might be unanswerable. But as a response to events in east-central Europe it simply will not do.

The Poles have not waited, and the Hungarians are not waiting, to see what happens next. Having seen that the prison guard has relaxed his vigilance, they are making a dash for freedom. If they can be out of range by the time a new guard comes on duty, there is a good chance that he will not bother to pursue them, having enough to do to restore order among the remaining inmates — provided that they do not actively provoke him or start bombarding the prison walls from outside. (It would surely have been wiser, if less noble, for the Polish Solidarity leader Adam Michnik to have refrained from going to Kiev to proclaim his support for a "free Ukraine.")

What constitutes being "out of range"? Achieving political stability under a freely elected government, recognised as legitimate by the Soviet Union. Soviet policy takes twists and turns, but usually respects formal international commitments; a Soviet government preoccupied with restoring order at home may well wish to avoid an international crisis if it can. But political stability is hardly likely in Poland or Hungary without economic recovery, and there western Europe has got to help.

And the German question? Speakers at Oslo accused each other of "tiptoeing" round it, and united only in condemning the suggestion that West Germany be asked formally to renounce the goal of reunification. This, it was said, would only play into the hands of the minority, at both ends of the West German political spectrum, which favours cutting the silken bonds of Nato and the European Community.

Everyone seems to recognise East Germany as the keystone of the postwar European order: to remove it prematurely, with no alternative structure in place, is a recipe for chaos and ruin. Yet no one feels any affection for it, and hardly anyone now believes it to be viable in the medium, let alone the longer, term. Many agree that serious reform would probably hasten rather than delay its collapse, but few would wish to let the future stability of Europe depend on the perpetuation of Mr Honecker's style of government.

In other words, we need that alternative structure, and we need it more urgently than we thought. Mr Gorbachev has given a name to it: the Common European Home. Many people in the West seem to dislike this, thinking that it masks a Soviet plot to take over the European Community, and/or to exclude the US from Europe, leaving us alone with the Eurasian Bear. So far, Mr Gorbachev's blueprint is vague enough to permit those interpretations, but also others. If he does harbour such designs, the West is surely still strong enough to resist them, as it has done in the Helsinki process.

Like that process, a new European security structure would have to include both the US and the Soviet Union. It should start, at least, by including both Nato and the Warsaw Pact, each with its present membership, and thus including both the present German states. The two alliances would be props which could be dismantled, if ever, only when the new structure had stood the test of time and shown itself able to cope with crises. East Germany, as a component of one of the props, would thus acquire a *raison d'être* associated with the ending of the Cold War rather than its continuation; and Germans on both sides who aspire to ultimate reunification would have a strong incentive to ensure that the new structure really does provide security and stability for all.

Nato should talk to Mr Gorbachev about his ideas for a Common European Home while he is still around, and should put forward ideas of its own. The object of doing so would not be to strengthen Mr Gorbachev's domestic position by giving him a foreign policy success; but if it just happened to have that effect, it would surely be an added bonus.

FINANCIAL TIMES
Tuesday September 19 1989

SIGNIFICANT FOREIGN POLICY FAILURE FOR REGION'S MAJOR POWER

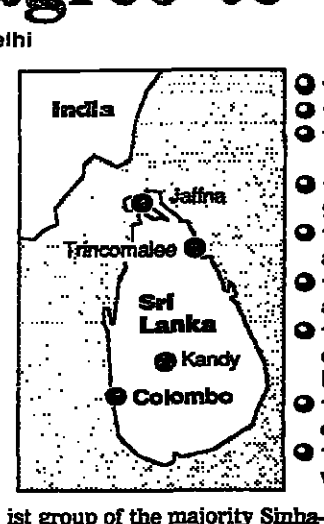
Indians agree to withdraw from Sri Lanka

By David Housego in New Delhi

INDIA yesterday agreed to withdraw its remaining 42,000 troops from Sri Lanka by the end of this year, bringing to an end, at least for the time being, an unsuccessful two-year attempt to end the ethnic strife which continues to tear the island apart.

The much-delayed agreement, signed by the two governments, is a victory for neither. India arrived in the island in August 1987, aiming to guarantee the safety of the Tamil minority and to disarm the Tamil separatist guerrillas. Its failure is a significant foreign policy failure for the region's major power.

The Sri Lankan Government of President Ranasighe Premadasa failed to enforce a withdrawal deadline of July 29 and indeed has not managed to advance the Indians' own timetable for leaving. He must now deliver both a secure future for the minority Tamils and an end to the ruthless violence of the JVP, an extremist nationalist group of the majority Sinhalese population which has campaigned against Indian "hegemony."



- 1948: Independence from Britain
- 1956: Sinhala-only language policy
- 1970: Liberation Tigers of Tamil Eelam founded
- 1971: Army massacres 10,000 after failed coup
- 1987 May: Offensive launched against Tamils
- 1987 July: Rajiv Gandhi signs peace accord with President Jayawardene
- 1988: Mr Ranasinghi Premadasa elected president, promising to force Indian troops out
- 1989 July: India ignores Sri Lankan deadline to withdraw
- 1989 Sept 18: Indian troops withdrawal announced

The risk now is that the JVP movement will denounce the agreement as paving the way for a separate Tamil state in the north under the Tamil Tigers, the main guerrilla group.

The Indian peacekeeping force will suspend what a joint statement described as "offensive military operations" against the Tigers in the north of Sri Lanka, as from tomorrow morning. But Indian officials yesterday made clear that notwithstanding the ceasefire, patrols by Indian troops would continue and that they would retaliate if fired on by the Tigers.

The agreement ends a four-month acrimonious dispute between the two governments that began with President Premadasa's public call for the Indians to be out by the end of July.

After more than two years of fighting in Sri Lanka and the loss of 1,000 men, India has abandoned its original objective of disarming the Tigers. Although the joint communique signed yesterday speaks of both sides ensuring the security and safety of the Tamil population in the north, the rival Tamil factions in the region are busily acquiring fresh arms in the expectation of a further conflict.

Under the agreement, a peace committee is to be established tomorrow in an effort to reconcile the various groups and to see how the Tigers can be drawn into an administration.

One of the factors that delayed an agreement was that the Indians had linked their acceptance of a ceasefire with the Tigers joining the peace committee

They dropped this demand under pressure from Mr Premadasa and after assurances from him that the Tigers would participate.

Fearful of further conflicts between the Tamil groups and that Indian troops could come under attack from the Tigers, the Indian Government has left the door wide open to a continuing military presence after December 31. Indian officials drew attention yesterday to a clause in the agreement that links the withdrawal to the realisation of other arrangements to protect the safety and security of the Tamils. The agreement also says that India will make "all efforts" to pull out its troops by the end of the year.

Mandela's release may be imminent says minister

By Patti Waldmeir in Johannesburg

MR NELSON MANDELA, the imprisoned leader of the African National Congress, will be released within weeks, according to a senior minister in the new South African Cabinet.

Mr Gerrit Viljoen, who was appointed as Minister of Constitutional Development at the weekend, said in an interview on the BBC yesterday that the release of Mr Mandela and other prisoners convicted of security offences "is a matter very high on the agenda of the Government."

Asked if the release could take place within weeks, he replied, "I think it could."

Mr Viljoen's main task is to encourage black leaders to negotiate with Pretoria over a new constitution which would allow black participation at national level. He is a close political ally of President F.W. de Klerk, and could be expected to play an important role in determining the timing of Mr Mandela's release.

South African ministers have repeatedly stressed their preoccupation with the release of Mr Mandela in recent months. Mr Viljoen's statement gave the clearest indication yet of a possible timetable for the release.

However, Mr Mandela, who has been in prison for more than 25 years, is known to have insisted that certain preconditions be met by Pretoria before he would agree to leave his prison bungalow outside Paarl.

He has refused to accept a release which did not include fellow political prisoners jailed after the 1964 Rivonia treason trial.

Mr Viljoen's oblique reference in the interview to "other prisoners convicted of security offences" could suggest Government flexibility.

And Mr Viljoen made it clear again that Pretoria has dropped its previous insistence that Mr Mandela renounce violence.

Mr Mandela had "expressed himself in terms which clearly indicate his preference for a peacefully negotiated solution," Mr Viljoen said, hinting that this would be acceptable to the Government.

But Archbishop Desmond Tutu, speaking in a separate television appearance, insisted that lifting the three-year state of emergency be a condition of Mr Mandela's release.

Correction
DOW JONES

The Wall Street column on this page yesterday inaccurately referred to the Dow Jones Industrial Average. The Average is a product of Dow Jones and Company and not of the New York Stock Exchange.

THOUSANDS of striking Peugeot workers from Mulhouse in north-eastern France jam the Champs Elysées on their way to besiege the car maker's Paris headquarters yesterday. The demonstration passed peacefully, writes William Dawkins from Paris, but nevertheless heightened fears that the two-week-old wage dispute could spark off wider dissent among French unions.

Hemmed in by police barriers, the demonstrators bore placards calling for the resignation of Mr Jacques Calvet, Peugeot's chairman, who has refused direct negotiations. Mr Claude Bergier, personnel director, received a small delegation but repeated that the general management did not intend to start talks. Production at Mulhouse, the main plant making the Peugeot 205, was running at around half normal levels yesterday, while the nearby Sochaux plant was working at 20 per cent of its usual capacity, an improvement on the near standstill reached at the end of last week, according to Peugeot management.

Meanwhile, another wage dispute flared up yesterday at Mercedes-Benz France at Molsheim, a finishing plant near both the strike-hit Peugeot assembly lines, seriously affecting output.

Bomb in the post for unions, Page 3

France suggests a trigger point for Brussels to vet big mergers

By David Buchan and Richard Lambert in Brussels

FRANCE yesterday embarked on the difficult task of trying to reconcile the differing viewpoints of large and small European Community states around its compromise proposals for Commission vetting of large mergers.

Anxious to move the policy forward during its current presidency of the EC, France proposed raising the threshold level at which cross-border mergers would automatically come under Commission scrutiny. It proposed a trigger point of a combined worldwide turnover of more than Ecu5bn ($5.25bn) with lesser mergers remaining under national scrutiny.

This compares with a Ecu10bn threshold sought originally by London and Bonn and a Ecu2bn trigger point for EC scrutiny last proposed by the Commission and still supported by the smaller states.

Italy and the smaller states, however – with little in the way of national competition policies of their own and which are therefore looking to an EC agreement – complained that such an increase in the threshold level would emasculate the merger control plan.

The other key disagreement which Mrs Edith Cresson, France's European Affairs Minister, tried to resolve yesterday in hours of bilateral talks with individual industry ministers of the other 11 EC states, centred on how clear a division there should be between Community and national merger control.

West Germany insisted that even if the Commission was to give the green light to a merger above the Ecu5bn level, West Germany's anti-cartel authorities should still have the right to examine the effect of the deal on its domestic market.

Mr Helmut Haussmann, West German Economics Minister, had to leave yesterday's meeting early, leaving on the table a demand which is flatly unacceptable to the Commission. Most other EC states want some right of national review of mergers where, for example, defence or regional and social factors are involved. The Commission has said this is acceptable, provided such instances are clearly defined and limited.

Nonetheless, Mr Haussmann said he still believed it was possible that a merger control agreement could be reached by December, as France still hopes.

The major advance yesterday was Britain's agreement to the Ecu5bn threshold, provided that it was indexed to Community economic growth and that Brussels would judge mergers on competition grounds alone. The latter condition is also demanded by Bonn.

A related sticking point is the Commission's insistence that after an initial trial period the threshold for merger vetting by Brussels should come down to Ecu2bn. Mr John Redwood, Junior UK Industry Minister, did not flatly rule out such a reduction, but said: "Let's see how the initial threshold works out, and not prejudge at this stage any change."

According to Commission estimates, between 50 and 60 mergers a year would be caught in Brussels' scrutiny net by the Ecu5bn threshold, compared with about double that number if the trigger point was set at Ecu2bn.

While striving for compromise, France itself has thrown up a potential obstacle to early agreement by making a last-minute proposal to require reciprocity from third countries. French officials explained that any simplification of overlapping EC-national merger controls amounted to a loosening of competition policy by easing the task of foreign bidders in the Community. Therefore, Paris argued, the Commission should have the power to negotiate a dismantling of barriers facing EC companies making takeovers in foreign markets.

This proposal met strong objections from Britain and West Germany although yesterday's negotiations focused more on the contentious points which have lain longer on the table.

Hungary restores full links with Israel

By Judy Dempsey in Budapest and our Jerusalem Correspondent

MR Yitzhak Shamir, Israel's Prime Minister, voiced the hope yesterday that his country could upgrade its ties with other Warsaw Pact nations as Hungary became the first Soviet ally to restore full diplomatic relations with the Jewish state after a 22-year break.

The surprise agreement to exchange ambassadors, signed in Budapest by the Hungarian and Israeli Foreign Ministers, followed years of soundings by Israeli diplomats aimed at ending a rupture in ties with Moscow and its allies dating back to the 1967 Six Day War.

Mr Shamir, who has visited Hungary twice in the past 12 months, praised the "courageous and daring" decision by Budapest to reverse the 1967 position, which was also taken by the Soviet Union, Czechoslovakia, Bulgaria and Poland.

The Israeli Prime Minister said: "I would like to express my hope that this achievement will constitute a breakthrough to Eastern Europe and that more agreements with Eastern Europe will follow this one."

Mr Gyula Horn, Hungarian Foreign Minister, in a recent interview with the Financial Times said the decision to break relations with Israel had been a "great mistake."

He commented that the resumption of full ties with Israel would not impair relations with Arab countries, adding: "After all, certain of those countries, including Egypt now have relations with Israel."

Observers said Poland, which, like Hungary, has had limited dealings with Israel through "interest offices" for the past two years, was the most likely Warsaw Pact country to follow Budapest.

While no early breakthrough was expected in the more sensitive relationship between the Soviet Union and Israel, diplomats noted that contacts have intensified this year, with the signing of trade, health and cultural agreements, and Moscow's acceptance of Israeli aid after the Armenian earthquake.

The Soviet Union's Bolshoi Ballet is currently visiting Israel, and the two countries have had "consular" contacts – nominally over Russian Orthodox Church property in Israel – since 1967.

The upgrading of Hungarian-Israeli ties comes at a time when Hungary's 80,000-strong Jewish community is slowly regaining its identity after years of silence in the period since the Second World War, during which 600,000 Hungarian Jews were sent to concentration camps. Of those who survived, some emigrated to Israel, where today there are 300,000 Jews of Hungarian origin.

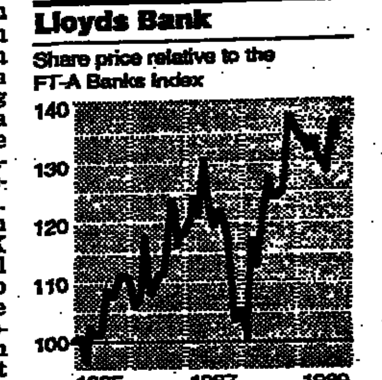
THE LEX COLUMN

Lloyds closes its US account

It may not be huge when measured against the £3.4bn price the market puts on Lloyds Bank, but the $200m deal with Daiwa Bank allowing the UK clearer to make a graceful exit from mediocre main street US banking is welcome. Yet the whole transaction poses an obvious question. If Lloyds is so bearish on America, why do other UK clearers - NatWest and Royal Bank of Scotland - still rank so conspicuously among the bulls? One can rationalise Japanese interest in the US, in terms of the more modest returns their shareholders will accept, but it is much harder to justify the ambitions some UK clearers still harbour there.

Financially, the deal's short-term impact on Lloyds is useful enough. It unlocks £80m of capital, and serves as a reminder of what retained profits can do to repair the ravages of Third World debt on the balance sheet. But what the bankers always tell us is to ignore the short-term, and look at grand strategy.

From this perspective, the Daiwa deal's most interesting feature is that Lloyds is putting into practice its creed of placing returns on capital above geographical expansion, and focussing on core strengths such as the UK personal sector. An operation such as its 15-office US network, with its minuscule market share and return on equity of 11-13 per cent, clearly had to go. And if the net result of some planned shrinkage is to render Lloyds a more manageable mouthful for a bidder, perhaps when over-exposure to some future downturn in the UK banking market has depressed its market rating, that is not something for shareholders to complain about.



Dollar

The dollar's jumpy behaviour yesterday seems partly to reflect a genuine divergence of view on the two sides of the Atlantic. London tends to the view that the strength which last Friday took the currency briefly back through DM2.00 is sustainable. New York seems to take talk of a corporate borrowing crisis more seriously, pushing the dollar down by nearly 5 pfennigs in yesterday's early trading.

It is not immediately obvious why problems with junk bonds proper – as opposed to banking loans – should put pressure on the Fed to bring down interest rates. Indeed, Friday's strong US economic data suggested rather that policy has to stay tight for a while yet. In the absence of any real movement in US short rates yesterday, the suspicion is that the market is using the much-publicised difficulties of Campeau as an excuse for a rest.

That said, the dollar may well have a turbulent week. After the re-weighting of the ECU on Wednesday and the Bundesbank council meeting on Thursday, the weekend will see the deliberations of the G7. Thereafter, the proposition that the dollar will continue upwards – perhaps on through its June high of DM2.03 – rests on fundamental arguments on the health of the US economy. And, indeed, on bond market fundamentals; assuming that US inflation has peaked and may be as low this year as 4 per cent, real bond yields in the US are now higher than just about anywhere outside Australia, and half a point above those in West Germany and the UK.

Dalgety

Appropriately enough for the makers of Winalot, yesterday's figures from Dalgety were a bit of a dog's breakfast. At first sight the profits growth was adequate, in the light of the eggs scare; but the company also benefited from a £4m post-fire insurance profit and a £7m turnaround in an Australian property subsidiary above the line.

Dalgety has a more fundamental problem. Given that half the UK population seems to be turning green and the other half seems to have abandoned cooking in favour of such delights as pot noodles, food manufacturing companies are going to have to be pretty nimble to run the gauntlet of fads, scares and social change. Eggs caused last year's panic: this year, it could be crisps (all that salt) or even flour. Dalgety's management hardly inspires confidence, after its expensive adventure with Duke in Australia and its mistaken purchase of commodity trader Gill & Duffus. The board, having eased out the last chief executive, has not yet decided whether to appoint the managing director in his place, or indeed whether to have another chief executive at all.

Another strategic review is under way and Gill & Duffus is likely to be sold, along with some smaller operations where the group's market share is limited. There are solid businesses in Dalgety, in agribusiness, petfood and milling, and the same argument applies to its earnings as applies to all food manufacturers; people have got to eat. But even assuming profits stretch to £120m this year, the shares still do not look particularly palatable on a prospective p/e of 11.

Inchcape

Given that Inchcape's share price relative to the FT-All Share has already doubled since mid-1986, and allowing for snags such as the doubts raised by Tiananmen Square about the trading group's Hong Kong exposure, it is hard to see that the stock has much further to run. Yet there is an investment case one can assemble, even without placing too much emphasis on the bounce in UK vehicle distribution profits to be expected in the early to mid-1990s when the new Toyota car factory in Derbyshire comes on stream.

The increase in interim profits announced yesterday, a matter of 26 per cent growth at £87m, contained one striking feature: an increase in operating profits from the Bain Clarkson insurance broking subsidiary at a time when other brokers are seeing their earnings slump, partly a tribute to some aggressive cost-cutting in 1988. On the face of it, Inchcape's nine main operating divisions, ranging from tea and timber to buying services, may look incoherent, apart from the geographical theme of strong Pacific Rim connections. But if the Bain Clarkson experience is anything to go by, Inchcape apparently does add value to its parts. The shares are on a prospective multiple of only 10 times earnings, assuming 1989 pre-tax profits of about £180m.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Dubrovnik	S	27	81	Malta	S	27	81	Rhodes	S	28	82
Algiers	F	32	90	Edinburgh	R	17	63	Manchester	C	19	66	Rio de J'o	C	23	73
Amsterdam	S	24	75	Faro	S	24	75	Manila	F	32	90	Rome	S	25	77
Athens	S	27	81	Florence	S	27	81	Melbourne	C	16	61	Salzburg	S	27	81
Bahrain	S	35	95	Frankfurt	S	26	79	Mexico City	R	23	73	San Francisco	C	15	59
Bangkok	F	32	90	Funchal	F	25	77	Miami	C	24	75	Seoul	F	26	79
Barcelona	R	24	75	Geneva	S	23	73	Milan	S	25	77	Singapore		–	–
Beirut		–	–	Gibraltar	F	27	81	Montreal	Fg	11	52	Stockholm	F	16	61
Belfast	F	19	66	Glasgow	R	17	63	Moscow	C	17	63	Strasbourg	S	28	82
Belgrade	S	28	82	Guernsey	C	18	64	Munich	S	26	79	Sydney	S	20	68
Berlin	S	25	77	Helsinki	S	15	59	Nairobi	C	23	73	Taipei	F	34	93
Biarritz	S	29	84	H. Kong	F	30	86	Naples	S	29	84	Tangier	F	24	75
Bombay	Dr	26	79	Innsbruck	S	24	75	Nassau	C	32	89	Tel Aviv	S	31	88
Bordeaux	S	29	84	Inverness	C	18	64	New Delhi	S	33	91	Tenerife	S	28	82
Brussels	S	26	79	Islamabad	F	35	95	New York	C	18	64	Tokyo	F	31	88
Budapest	S	27	81	Istanbul	S	22	72	Nice	S	24	75	Toronto	F	10	50
B. Aires	F	15	59	Jakarta	C	32	90	Nicosia	S	28	82	Tunis	S	30	86
Cairo	S	31	88	Jersey	S	21	70	Oporto	F	22	72	Valencia	F	25	77
Cape Town	C	14	57	Jo'burg	S	26	79	Oslo	F	15	59	Venice	S	24	75
Caracas	C	28	82	Lima	C	19	66	Paris	S	27	81	Vienna	S	24	75
Casablanca	S	24	75	Lisbon	C	20	68	Peking		–	–	Warsaw	S	26	79
Chicago	S	12	54	London	S	22	72	Prague	S	26	79	Washington	S	17	63
Cologne	S	27	81	Los Angeles	F	18	64	Reykjavik	C	9	48	Zurich	S	24	75
Copenhagen	C	17	63	Luxembourg	S	23	73								
Corfu	S	30	86	Madrid	F	23	73								
Dallas		–	–	Majorca	C	25	77								
Dublin	F	19	66	Malaga	S	29	84								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

BNL Rome may have known of credits

Continued from Page 1

last February by Danieli, an Italian maker of steel mini-mills, for the confirmation of a $70m letter of credit issued by the Iraqi central bank was confirmed by BNL's Atlanta branch.

●A statement last Thursday in parliament by Mr Guido Carli, Italy's Treasury Minister, that "notwithstanding the falsifications perpetrated [by Atlanta] these irregular operations left traces in the official accounts that should not have escaped the attention of the internal controls" of BNL's Rome headquarters.

●A claim last week by the Iraqi embassy in London that BNL's Atlanta branch did in fact have authority from Rome for the Iraqi loan agreements.

Mr Longo, repeating the views already expressed by Mr Carli and the Bank of Italy, said the BNL Iraqi scandal demonstrated "the serious inadequacy of internal controls and the lack of administrative efficiency at the bank." He said the bank's central management structure was in urgent need of a reorganisation.

Commenting on the discovery that at least some funds travelled from BNL Atlanta to the Iraqi central bank and back to BNL in Italy, the BNL board director said this was "the maximum kind of damage and self-ridicule for the bank."

"If you lend money to the Iraqi central bank from Atlanta and it comes back to your own bank in Italy then you are lending to yourself," Mr Longo said. He did not know if the money that came back to BNL in Italy was used for payments to Italian or non-Italian companies.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday September 19 1989

INSIDE

Uncertain signals for Ferranti

A new International Institute for Defence Procurement Studies, being formed in London, so far has only one industrial participant — Ferranti International Signal. The troubled defence electronics group will make an excellent case study, but any lessons may come too late. The group, headed by Sir Derek Alun-Jones (above), has grown increasingly dependent on its defence activities. However, while it retains a crucial importance for the UK Ministry of Defence in areas such as airborne radar and underwater sonars, it has fallen victim to the tough competition being nurtured by the ministry and faces uncertainties in other projects where it has been counting on significant business. Further reports, Page 28

Sugar-coated takeover

A takeover by Rhône-Poulenc, the French state-controlled pharmaceuticals group, of RTZ's specialty chemicals division has been under discussion for several weeks. A link would make sense for both parties. The UK resources group is anxious to gain a good price from any sale to offset the costs of its recent £2.75bn ($4.23bn) acquisition of BP's mining and minerals division, while Rhône-Poulenc is keen to gain access to RTZ's range of specialty chemicals. Page 22

Oiling the wheels of competition

When Walter Oil & Gas, a respected and successful family-owned oil company, started playing the farm-ins game — drilling prospects leased by the big oil companies in exchange for a percentage interest — in the Gulf of Mexico in 1983 it virtually had its pick of the deals. But no more. All kinds of little start-up companies have caught on, helping exploit this mature oil province to the benefit of energy consumers as well as the US economy. Steven Butler reports. Page 25

Fodder rationing

With the possible exception of those who found themselves beneath one of last week's cloudbursts, the judgment of most livestock farmers in the south of England would be that recent rain was too little, too late. Although some south coast areas have had two inches of rain or more over the last few days, the last significant rainfall was in April, prior to one of the hottest summers on record. Grass growth has been inhibited and some cattle and sheep are now beginning to show signs of their short rations. Page 36

Banking on a global issue

The much-heralded $1.5bn global bond issue from the World Bank was finally launched yesterday when the lead dealers, Deutsche Bank Capital Markets and Salomon Brothers, outlined the basic terms and started the clock on a 24-hour pricing period. The two will have commitments of $150m, while other participants have $75m. Page 27

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Feldmuehle	486	+	18.2	Casino	142	+	5.2
Mannesmann	276.5	+	3	Metaleurop	247.7	+	10.2
Schering	804	+	14	Sagem	1820	+	69.8
Thyssen	241.3	+	4.3	**Falls**			
Falls				Euromarche	730	-	18.5
Cont. Gummi	315.5	-	25	Moulinex	146.7	-	3.9
Kaufhof	558	-	2	Pernod	1484	-	38
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Bham Steel	29	+	4¾	Daiwa Const.	1780	+	190
1st Interstate	72⅛	+	5⅛	Jasnkoi Worsted	1320	+	120
1st Penn	16⅝	+	1⅞	Toei Chem	577	+	99
Falls				Tomoku	1080	+	105
AMR	75⅞	-	7⅞	**Falls**			
Nike	67	-	4	Miyoshi Valve	1050	-	90
Texas Inst	40⅛	-	5	Tower Sankiden	1750	-	150

New York prices at 12.30.

LONDON (Pence)							
Rises				Radiant Metal	243	+	30
AB Ports	687xd	+	18½	Refuge	594xd	+	12½
Aso Security	298xd	+	30½	Scala	120	+	3
Brit Telecom	276½	+	12½	Tottenham	138	+	7
Century Oils	147	+	9	Unitech	371	+	5
Glaxo	1586	+	24	**Falls**			
Hawker Sidd	747	+	10	Amber Day	57	-	4
Lon & Man	309	+	12	Kwik Save	549	-	9
LASMO	542	+	13	Weeda Stores	305	-	33
Mora Bros	237	+	8				
Nat West Bk	341	+	6				

Macmillan in US books deal

By Raymond Snoddy in London

MACMILLAN, the US publishing group controlled by Mr Robert Maxwell, has agreed to buy Merrill Publishing, the US educational books group, for $260m.

The company, which employs 650 people, has revenues of about $110m a year and an 18 per cent profit margin. It is particularly strong in maths and science books.

The aim is to link the $35m-a-year college publishing arm of Merrill with Macmillan, taking it into the first division in US college publishing.

The elementary and high-school publishing activities of Merrill will, subject to regulatory approval, be sold to Macmillan and subsequently put into a proposed Macmillan-McGraw Hill joint venture, creating what could be the leading company in this market in the US.

News of the Merrill acquisition came as Mr Maxwell announced that the Official Airline Guides (OFG), bought from Dun & Bradstreet last October for $750m, was being brought on to Maxwell Communication Corp's balance sheet.

This follows last week's successful refinancing of $3bn in borrowings arising from the purchases of both the OFG and Macmillan late last year.

The Merrill deal is the latest episode in the fundamental restructuring of the US educational publishing market, where those who have been bitter rivals for large acquisitions later conduct deals both to tidy up their purchases or to help fund the costs of purchases.

Mr Robert Bass, the billionaire Texas entrepreneur, beat Mr Maxwell to ownership of Bell & Howell in December 1987.

When Mr Maxwell finally won control of Macmillan – for about $2.6bn – it was only after a proposed $1.65bn takeover of the company by Mr Bass had failed.

At his annual meeting last week Mr Maxwell promised that a medium-size acquisition in the educational field was imminent.

Dalgety profits beat forecasts at £110m

By John Ridding in London

WEAK commodity markets, high interest rates and domestic food scares limited Dalgety, the UK-based food and agribusiness group, to pre-tax profits of £110.4m ($171m) for the year to June 30, an increase of 10.8 per cent. The company also said the future of Gill & Duffus, its commodities arm, was under review.

But the result was about £1m higher than City forecasts. And this, combined with a stronger than expected performance by the agribusiness division, sent shares up 4p to 407p.

Mr Maurice Warren, group managing director, who has been running Dalgety since the surprise departure in July of Mr Terry Pryce, chief executive, said the results showed "real progress."

He said he was interested in becoming the new chief executive and, while his "hands on" management style differed to that of Mr Pryce, the group's basic strategy was unchanged.

The year saw trading profits at Gill & Duffus slip from £35.1m to £31m because of continued weakness in cocoa markets and difficulties in its coffee operations.

In addition to the shortfall at G&D, pre-tax profits suffered from a rise in interest charges from £46.4m to £57.5m.

Below the line, there was a £7m extraordinary item which resulted from a write-off of its investment in Duke, an Australian financial services group. Mr Warren said that there was no need for further provisions.

Trading results were mixed across the various subsidiaries and divisions. In the foods division, profits grew by £9.2m to £76.5m.

The salmonella scare in the UK caused losses of £3m in the group's egg business, but this was offset by a £4m insurance surplus arising from last year's fire which destroyed its Northamptonshire Golden Wonder crisp factory.

In the US, Dalgety's food operations failed to improve profits because of losses of about £2m at Dalgety Produce.

Agribusiness saw the strongest divisional performance, increasing profits from £37.9m to £58.3m.

Group turnover during the period increased from £4.5bn to £4.76bn. Earnings per share increased from 29.9p to 33.6p and there is a final dividend of 10p (9p) giving a total of 16.5p (15p). A property revaluation which yielded a surplus of £77m caused net gearing to fall from 68 per cent to 63 per cent.

Lex, Page 20

A super-smooth taste to the Mario medicine

Peter Marsh looks at prospects for Glaxo, which today announces its yearly results

Ernest Mario: quick to stamp his personality on the group

GLAXO still has it all to prove. This is the opinion of a number of analysts, openly expressing doubts as to whether the UK pharmaceuticals group can maintain its hectic growth rate. But it is not one that is likely to sit happily with smooth-talking, super-confident American Ernest Mario as he steps forward today to announce results for the year to June 30.

At the pre-tax level profits are expected to jump by about 20 per cent to pass £1bn ($1.55bn) for the first time. But beyond the announcement of this important psychological landmark, attention will be focused on the public debut of Mr Mario, who was promoted to chief executive in May over the head of Mr Bernard Taylor, the then chief executive who subsequently resigned.

He will be expected to shed light on his longer-term strategies and whether Britain's biggest drugs company – which has grown rapidly over the past five years to become one of the world's top four pharmaceuticals group – is interested in joining the current round of mergers within the £70bn-a-year industry.

Over the summer a number of other large drugs groups have joined forces in moves which some see as defensive measures in a sector influenced by a number of tightening pressures. It is the negative effects of these pressures on the industry that Glaxo's doubters point to when questioning whether the group can maintain its excellent record of recent years.

The tensions in the industry include:

- The rising costs of research and development (R&D), which in Glaxo's case have increased significantly recently.
- Fiercer competition which has followed partly from the mood of cost-cutting among many of the government-owned health agencies which, in Western Europe particularly, are the most important customers for medicines.
- The growing presence in many nations of manufacturers of generic drugs – cheap copies of off-patent branded formulations. Such companies have demonstrated in recent years, especially in the US and West Germany, that they can quickly make inroads into the sales of mainstream drugs companies once the patents on these groups' big-selling products expire.

Though thoughtful enough to recognise these general pressures, Mr Mario is likely to argue today that not all of them necessarily apply to Glaxo.

He is, for example, expected to scotch any ideas that Glaxo should join with other drugs groups as part of the pattern of consolidation in the industry. He takes the view – as does Sir Paul Girolami, the company's patriarchal chairman who has been the leading light in building up Glaxo – that moves of this sort would not be in the company's best interests.

Mr Mario – a former research chemist who had a gleaming career in the US pharmaceutical industry marked by top jobs at Squibb, a leading US drugs company – was recruited by Glaxo in 1986. His last job prior to becoming chief executive was running the company's US operations. These account for nearly half Glaxo's sales of about £2.5bn a year, and it was Mr Mario's performance in the US that convinced Sir Paul that the relaxed, conversational American would fit the role of chief executive better than the more lugubrious Mr Taylor, a former school teacher.

As chief executive, Mr Mario has acted quickly to stamp his personality on the company. To take his place as head of Glaxo's US operations he has appointed Mr Charles Sanders, another former Squibb executive, who has particularly good contacts with the Food and Drug Administration, the US government drug-licensing authority.

These will be useful in shepherding a series of new Glaxo drugs now in the development pipeline through the convoluted trials needed before medicines can go on sale in the US, the world's biggest drugs market.

The new Glaxo chief executive has also promoted to the board another rising star, Mr Franz Humer. Swiss-born, Mr Humer is only 43 and is in charge of co-ordinating marketing across the group.

It is this team that over the next few years will face the problem of how Glaxo builds up sales of new drugs to compensate for the likely fall-off during the 1990s of revenues from Zantac, its ulcer product. Zantac, the world's biggest selling medicine, accounts for sales of about £1.2bn a year.

But its sales growth is likely to falter in the next decade, and if Glaxo is to continue its meteoric rise it badly needs a stream of new drugs early in the 1990s.

There are a number of promising products in development, including ondansetron, for treating nausea associated with cancer, and sumatriptan, an anti-migraine preparation.

To push these drugs through the late stages of development Glaxo is spending heavily on R&D. Outlays in this area are likely to top £300m this year and may climb to £500m a year in the early 1990s.

The company justifies this expense on the basis that the new products are vital to its future. Some commentators, however, worry about the effect such heavy spending will have on profits. They fret, too, about what might happen should trials on the drugs hit the kind of snags that are common in the industry.

Such concerns do not seem to have been lost on Glaxo itself. Last year it announced plans for an impressive £500m research centre in Stevenage, Hertfordshire, which was to act as the focus for its R&D efforts. But in the past few weeks the group has quietly indicated that money will be spent on the project less quickly than previously thought. Some of the aims for the centre are being scaled down, it says.

Beyond this, a crucial concern is what happens after patents on Zantac expire, and the generics producers are free to introduce cheap copies of the drug.

Most commentators have assumed the relevant Zantac patents in most countries will offer protection only until 1995 or 1997, giving Glaxo little time to compensate by cranking up sales from new drugs.

But Mr Steve Plag, a pharmaceuticals analyst at Barclays de Zoete Wedd, the London-based stockbroker, has highlighted the fact that a second, and more crucial, set of patents on Zantac will expire in 2002, providing the company with valuable breathing space. Glaxo admits the existence of the second group of patents but says no one can predict the degree to which Zantac sales may slide after the generics producers come in.

On top of this, a final pressure for the group concerns long-term strategy. In recent years Glaxo has made a point of saying it has no wish to diversify beyond mainstream "ethical" drugs – those sold only on a doctor's prescription. The pressures on the industry may, however, make this an unwise recipe for growth over the long term.

Some believe the big drug groups may be forced to spread their interests by moving into related areas, such as sales of consumer or "over-the-counter" medicines, and indeed many have done so already.

Merck, the American group which is Glaxo's big rival and the world's biggest pharmaceuticals company, has moved in this direction via a tie-up with Johnson & Johnson, another US medicines business. Under this agreement Johnson & Johnson is to market consumer versions of Merck prescription drugs.

As he ponders the future, Mr Mario may well wish to reshape Glaxo's strategic plan and push the company this way too.

Bond sells oil interest for A$220m

By Clay Harris in London

MR ALAN BOND, the Australian businessman, will announce today the latest in a series of asset disposals – the sale of his Australian operating oil interests for A$220m (US$170m) to Aviva Petroleum, a small UK-based oil and gas investment company.

The proceeds of the disposal of the controlling 67.7 per cent stake in the Harriet field, located about 10 miles off Western Australia, will make a small contribution towards Mr Bond's efforts to reduce his debts, estimated at close to £3bn (US$4.5bn) even after last week's sale of a 20.4 per cent holding in Lonrho, the UK-based international trading company. Mr Bond will receive only A$135m immediately with payment of the balance deferred for up to a year.

For Aviva, formerly called Jackson Petroleum, the effects will be far more dramatic. The planned acquisition is more than four times the size of Aviva's current market capitalisation of £23.5m and it will shift the emphasis of its oil and gas assets from North America to Australia.

The move is likely also to give Aviva the base from which to mount its next expansionist move, into the North Sea.

Aviva will become the operator of the Harriet field, the first time it has taken that role anywhere. It plans to hire all relevant staff now employed by Bond Corp.

The Harriet field, which began producing about two years ago, has estimated reserves of about 50m barrels and current output of 11,000 barrels per day. The deal also includes exploration acreage outside the Harriet field.

Aviva's share of the net cash flow – its main target in the investment – is expected to amount to about A$53m a year. Some of this cash flow will be committed to cover US$105m of non-recourse financing being arranged in New York by Bear Stearns.

Bond will receive a deferred note for the remaining A$85m, paying no interest for the first four months, 15 per cent for the next four and 20 per cent for the final four. In the case of default, Bond has the option to take payment in Aviva ordinary shares. Such an issue would give Bond more than half of Aviva's enlarged share capital.

Aviva does not plan to make any call on shareholders as part of this transaction.

The deal is subject to pre-emption at the same price by minority partners in the field, which include Kuwait Petroleum, TEA Australia, Hadson and New World Oil & Gas. If other investors exercise their pre-emption right, which is an all-or-nothing option, Aviva will receive a A$500,000 fee.

First Bank hits LBO loan trouble

By Roderick Oram in New York

FIRST Bank System, a leading regional bank group trying to recover from a $500m loss on Treasury bonds last year, announced problems yesterday with some loans financing highly leveraged company buy-outs. The bank declined to name the borrowers involved.

The news came amid growing concern in the banking community and financial markets about the durability of heavily indebted companies. The financial troubles of Campeau, the real estate and retailing group, shook the junk bond market last week.

First Bank will probably have to classify as nonperforming some $85m of loans in its $738m leveraged buy-out portfolio, estimated Mr Steven Schroll, an analyst with Piper Jaffray & Hopwood.

Very little of the portfolio was nonperforming before this news, he added. "This indicates there are some real problems there."

Also the Minneapolis-based group said its management was conducting a strategic review which could lead to it selling some businesses and cutting its workforce by between 15 and 20 per cent, or some 1,500 to 2,000 employees.

Mr D.H. Ankeny, chairman, said the company would seek to reduce its exposure to types of business where risks exceeded the potential rewards or failed to provide an appropriate return. He said it is likely to increase its focus on the consumer and small business sector in the upper Midwest and north-western states.

First Bank has had a reputation for an aggressive, risk-orientated strategy in both its loan and bond portfolios. Last December it was forced to sell $4.6bn worth of bonds at a loss of $500m after its gamble on interest rates backfired.

It is likely to cut its business in areas such as merchant banking, capital markets and corporate banking, Mr Schroll added.

Retail and small businesses are good sectors for First Bank to target, said Mr James Rosenberg, a regional bank analyst with Shearson Lehman Hutton. But the group will face stiff competition from Norwest, also of Minneapolis, which is established in those businesses in the region.

The management has yet to put reorganisation proposals to the board, but the changes could result in a third or fourth quarter charge of between $25m and $40m, First Bank said. It plans to increase its provision for loan losses in the third quarter by $35m compared with $20.5m in the second quarter, and charge off $45m of loans. This will reflect an increase in nonperforming assets to $330m from $247m at the end of the second quarter.

Amro Belgian merger still possible

By Laura Raun and Tim Dickson in Amsterdam

AMSTERDAM-ROTTERDAM Bank of the Netherlands and Belgium's Générale de Banque yesterday scaled back their ambitious plan to create a fully integrated, international banking group to meet the challenge of Europe's single market.

But they promised to continue their co-operation in certain areas, and left open the possibility of "total or partial integration at a later date in the light of the market conditions and insights prevailing at the time."

Yesterday's joint announcement confirms months of rumours that the planned alliance was foundering on technical and cultural differences between the banks.

"Technical problems – especially legal and tax matters – and a difference in the assessment of the implications that integration would have on the identity and autonomy of each of the institutions, have led Générale de Banque and Amro Bank to the conclusion that they should continue and extend their co-operation in many areas, but set aside the aim to integrate the two banks," the two banks said.

Under the new agreement the banks have specifically stated that "whenever possible and acceptable," business between them will be promoted by means of preferential rights or priority treatment.

For example, one bank's customers will have special access to the other's branches and affiliates, in part via the 10 "Eurodesks" which have already been set up to serve small businesses engaged in trade across state borders.

Co-operation will also be seen in clearing of payments, syndicated loans, new issues and development of new products.

The looser ties are reflected in the new financial arrangements. The 9.9 per cent indirect stakes that the banks took in each other when the original alliance was announced in February 1988 – jointly held at the moment in a specially created company called Tuba Holding International – will be transformed into direct stakes of 5 per cent in each other.

The remaining 4.9 per cent of the original stakes will be placed privately with institutional investors in the Netherlands and Belgium. As a result of the appreciation of both banks' shares, each will realise a profit of Fl 125m ($56m), which will be transferred ultimately to their reserves.

Both Mr Roelof Nelissen, chairman of Amro, and Mr Paul-Emmanuel Janssen, Générale's chairman, noted that they would be "free to follow their own routes in pursuing their strategic objectives."

But Mr Janssen rejected speculation that Générale de Banque was poised to form a new alliance with Banque Indosuez, part of Compagnie Financière de Suez. (Suez is the leading shareholder in Société Générale de Belgique, itself the single largest shareholder in Générale de Banque.)

"There are no negotiations," he said. "It is not a choice between Amro and Indosuez. We are totally different banks."

Hitachi and Comparex end talks on Europe deal

By Alan Cane

NEGOTIATIONS between Hitachi of Japan and Comparex of West Germany over the sale of the European operations of National Advanced Systems (NAS) to Comparex, a supplier of large computer systems, have finally been abandoned.

Hitachi and Electronic Data Systems, a subsidiary of General Motors, bought NAS from the US chip manufacturer National Semiconductor in February this year for about $400m, planning to sell on the European operations to Comparex for $200m.

In April it became clear the negotiations were in trouble; this week Comparex announced that discussions with the Japanese company had come, amicably, to an end.

Hitachi supplies mainframe computers to a number of Western computer suppliers including NAS in the US and Comparex in Europe.

The object of selling NAS (Europe) to Comparex would have been to rationalise its marketing arrangements in Europe. Now Hitachi will continue to market mainframes in Europe both through Comparex and through NAS, a part of Hitachi Data Systems.

Comparex said there were three principal reasons why the deal had been abandoned. First, although the price of $200m was already considered high, the US tax authorities were claiming $100m in capital gains tax which neither Hitachi nor Comparex were prepared to pay.

Secondly, Comparex was afraid the cost of the deal would hit profits for some years to come.

Thirdly, there was a considerable culture clash between the two companies. Their customers, in particular, expressed a strong preference for one company or the other.

Comparex turned over about DM500m ($250m) for the first half of 1989 and its staff worldwide now number more than 1100. Sales in West Germany in the first half fell slightly to DM220m while sales in other European countries rose about 9 per cent to DM280m, Comparex said.

RTZ seeks high price for speciality chemicals arm

Peter Marsh on Rhône-Poulenc's likely purchase

The likely takeover by France's Rhône-Poulenc of RTZ's speciality chemicals division, details of which may be announced within the next few days, fits in with several trends in the world chemicals industry.

Observers believe a tie between Rhône-Poulenc and the chemicals division of the British minerals and industrial group makes sense from the viewpoint of both parties. The takeover has been under discussion for several weeks.

RTZ is believed to be anxious to gain a good price for its chemicals division, to offset the costs of its recent £2.75bn acquisition of BP's mining and minerals division. Analysts have speculated that the French state-controlled group, the world's ninth biggest chemicals company, may be willing to pay up to £400m for RTZ's chemical group, which has annual sales of about £450m.

The RTZ division is involved in a large range of disparate areas of chemicals, including water-treatment chemicals, thickeners for paints and surfactants for shampoos and other personal care products.

In many ways the jewel in the crown of the RTZ division concerns its biotechnology-related developments in food additives and enzymes. That leads to a prospect, which may be enticing to gourmets, of French culinary flair linking with new ideas in food flavourings under development by the UK group.

Besides researching new types of food flavourings, the RTZ division is also a big supplier of citric acid, an important chemical in some types of food and drink.

RTZ has recently spent £30m building an expanded citric acid plant at one of its chemicals plants in Selby, in northern Britain.

The chemicals in which RTZ is involved fall into the category of speciality materials which are sold in low volumes and have uses in narrow areas of industry. As a result, they command high prices and are reckoned to be more immune than other, more basic, chemicals to price fluctuations caused by ups and downs in the world economic cycle.

RHONE-POULENC'S PRODUCT PROFILE*

	1980	1988
Agrichems	9	14.6
Health	19	24
Fertilisers	13	0
Chemicals	34	47.3
Textiles	16	14.1
Others	7	0

* Chart shows change in R-P activities in recent years according to percentage of turnover in specific areas

Due to this degree of protection from the effects of outside economic forces, speciality chemicals have been targeted by many large chemicals groups in recent years as an area for expansion.

Rhône-Poulenc has followed this trend (see chart), largely by building up its activities in relatively high-value chemicals such as agrochemicals and pharmaceuticals.

Within the broad chemical-materials segment, the company has emphasised developments in high-value fields such as engineering plastics and silicone rubbers, while reducing operations in commodity materials such as ethylene-based chemicals and fertilisers.

Another attraction for Rhône-Poulenc is that roughly half the RTZ division's annual sales are in the US, the world's biggest chemicals market. The French company has in recent years expanded significantly in the US, an approach mirrored by many other big European chemicals groups, but it has still some way to go before it becomes a large player in the US.

Last year Rhône-Poulenc gained 12 per cent of its FFr65bn ($9.7bn)sales from the US, up from just 3 per cent in 1985. It has expanded over this period largely due to two large purchases of divisions of US chemicals companies. The French company bought the agrochemicals division of Union Carbide and the basic chemicals activities of Stauffer in moves which cost more than $1bn.

The French group's Stauffer purchase brought it added strength in several key areas of chemicals, including sulphur products, phosphorus derivatives (used in food and detergent products) and soda ash. But these are relatively low-value, commodity materials and the higher-value chemicals in the RTZ portfolio could be a useful addition to Rhône-Poulenc's US operations.

RTZ, which runs its US chemicals activities from a small regional headquarters in Atlanta, has itself built up strength in North America in recent years largely through acquisitions. Among these have been purchases of units of Celanese, a US chemicals group broken up several years ago whose largest part was bought by Hoechst, the large West German chemicals company.

The purchases have figured in a programme of expansion over the past few years presided over by Dr David Swallow, the RTZ chemical division's managing director. The division has spent about £200m over the past seven years on acquisitions.

First Pennsylvania agrees CoreStates takeover bid

By Roderick Oram in New York

FIRST PENNSYLVANIA agreed yesterday to be acquired by CoreStates Financial for $730m, apparently ending a long, drawn-out fight for the banking group.

The $18.75-a-share deal between two of Philadelphia's leading financial groups topped an earlier $18-a-share offer from Meridian Bancorp of Reading, Pennsylvania.

Meridian said at the end of last week it would try to better any offer from CoreStates which made two bids in quick succession on Friday and during the weekend. People close to the negotiations said First Pennsylvania had turned down a later bid of $20.85 cents from Meridian because it preferred to be taken over by its Philadelphia rival. None of the banks was immediately available for comment.

First Pennsylvania had agreed in 1986 to be acquired at a later date by Marine Midland, a subsidiary of Hongkong and Shanghai Banking. Marine Midland recently agreed to tender its stock. It will receive $45m for its stake.

Venezuelan oil company at $1.02bn in first half

By Joe Mann in Caracas

PETROLEOS de Venezuela (PDVSA), Venezuela's national oil company, reported a profit of US$1.02bn for the first half of 1989 on total revenues of $4.2bn.

In comparison, overall revenues in 1988 were $9.5bn while the net profit was $1.02bn.

PDVSA's investments in the 1989 first-half were $472m, and its proven oil reserves as of June 30 stood at 58,355m barrels, a small decrease from 58,504m barrels at the end of 1988.

Crude oil production potential in June was 2.59m barrels per day (b/d) and will rise to 2.8m b/d by year-end, the company said. Exports of crude oil and refined products averaged 1.626m b/d for the six-month period, and the average export price per barrel was just under $16.00. This year, Venezuela's oil exports have gone to the following markets: 54 per cent to the U.S. and Canada, 26 per cent to Central America and the Caribbean, 14 per cent to Europe and 3 per cent to other areas. reserves of 380m barrels of crude oil.

Airlines discuss reservations link

DELTA AIR LINES, Northwest Airlines, and Trans World Airlines Inc. said they are discussing the establishment of a jointly owned, independently operated, neutral computer reservations system for travel agents, AP-DJ reports.

The system would combine the resources of Northwest's and TWA's PARS system with Delta's DATAS II.

Plans are for the joint venture to operate as an autonomous company with its own management.

Investment sales boost IEP

By Terry Hall in Wellington

BRIERLEY INVESTMENTS' 50 per cent owned international subsidiary Industrial Equity Pacific (IEP) yesterday reported a 99.3 per cent lift in tax-paid profits to HK$1.53bn ($196m). However, the directors warned that much of this came from the sale of two major investments, Calmat in the US and Ultramar, and said "this crystallised substantial unrealised gains from earlier years."

Directors said that the ability to continue to produce profits on this scale was limited, not least because the timing and circumstances of such sales were beyond their control. They say that the company's prime objective is to be an active long-term investor in suitable companies rather than a trader of shares.

The report says that the 85 per cent shareholding in US automotive and engineering group Steego had shown a loss of over HK$200m and was an "obviously unsatisfactory takeover at this stage."

It says no earnings have been taken from the other new US investments. The 100 per cent owned Associated Hosts was expected to be a useful performer while the 68 per cent stake in Molokai Ranch should have excellent potential as it owned most of the Hawaiian island.

The British subsidiary Tozer Kemsley and Milbourne "continued to go from strength to strength" and had recently acquired the Subaru agency in Australia, part of a global expansion strategy.

Harbert to acquire Birmingham Steel

BIRMINGHAM STEEL, the US mini-mill group, has agreed to be acquired by privately-held Harbert for $371m or $30 per share, agencies report.

Birmingham also said it had instructed financial advisor First Boston Corp, a Crédit Suisse affiliate, to solicit other prospective purchasers and provide them with the same information provided to Harbert.

It said under the merger agreement, it would reimburse Harbert for up to $9m in expenses if the agreement were terminated due to receipt of a better offer.

Harbert, also based in Birmingham, is a closely held company engaged in construction, real estate and natural resource development.

INTERNATIONAL COMPANIES AND FINANCE

Lloyds trims its US operations

David Lascelles on why a UK bank is shifting its focus of strategy

Lloyds Bank's sale of its US commercial banking business is an indication of how selective the smallest of the UK's Big Four clearing banks has become.

The business represents only one third of Lloyds' operations in the US. But it is in a segment of the market which fails to meet its profit criteria, and adds little to the group as a whole.

So Lloyds decided the capital supporting it – about £80m – could be better deployed elsewhere.

The segment covers companies with annual turnover of $1m to $130m, which Lloyds was serving with 15 branches and loan production offices scattered around the country, and administered from a centre in Chicago.

According to Mr Michael Thompson, Lloyds deputy group chief executive, it was earning an after-tax return of 11 to 13 per cent on capital, which was well below the 17 per cent cost of capital which is Lloyds' rule of thumb.

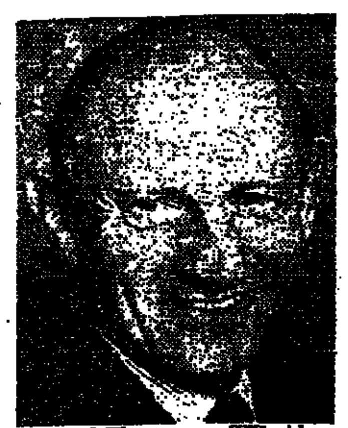
These returns look low by the banking convention which says that the further down the market banks go, the larger the returns become.

But when banks operate in foreign markets they usually find that higher returns are also offset by higher risks.

Mr Thompson claimed that Lloyds' returns were "par for the course." Certainly, they were sufficient to tempt Daiwa Bank into a deal.

But the return was also well below the 18 per cent which Lloyds obtains on its dealings with large multinational corporate clients in the US, and which it will keep as part of its global banking business.

The deal marks a further retreat by Lloyds from the US market, where it sold out of the California retail banking business in 1986 after 10 years, and where most UK banks have retrenched after suffering losses. It also strengthens the possibility that Lloyds will sell out of Canada as well. In late 1986 Lloyds bought a 53-branch bank there which had been rescued from severe loan losses. But the operation has never worked well, and made a loss last year.



Michael Thompson: 'UK side earns twice internationl'

The latest sale will bring to £800m the total capital which Lloyds has freed up since it embarked on its course of selective divestitures three years ago.

The bulk of this has been reinvested in the group's UK operations where the returns are much higher, and where it is diversifying into new areas like life insurance and estate agency. According to Mr Thompson, UK business has consistently earned twice the returns of international business over the past 20 years. The focus of Lloyds' strategy has now shifted from geographical markets to business segments, he said.

Daiwa takes on the Japanese giants

Stefan Wagstyl on the Tokyo bank's international expansion move

Daiwa Bank intends to show that a Japanese bank does not have to be big to be international.

Its planned $200m acquisition of the US commercial banking operations of Lloyds Bank, announced yesterday, is the most significant step Daiwa has taken to put its theory into practice.

Its arguments fly in the face of the accepted wisdom in the Tokyo banking community. The recent disclosure of the proposed merger between Mitsui Bank, the sixth largest Japanese commercial bank, and Taiyo Kobe Bank, the eighth biggest, was accompanied by the claim that big is best in international banking.

"One plus one doesn't equal two – it equals three or four," said Mr Kenichi Suematsu, president of Mitsui Bank.

"The two banks argued that only by pooling their resources could they hope to compete with the giants of Japanese banking, led by Dai-Ichi Kangyo Bank and Sumitomo Bank.

Nevertheless, there are good reasons for thinking that Daiwa, the 10th biggest bank in terms of assets, may be right. Jardine Fleming Securities, the stockbroker, says in a report that Daiwa is the best equipped of the smaller Japanese commercial banks "to compete directly with the larger city [commercial] banks in overseas financial markets."

Daiwa's first important overseas acquisition was the $60m purchase last year of nine Hong Kong branches from Rainier National Bank of the US.

However, this is dwarfed by the acquisition of 15 branches and offices, plus a $3.2bn portfolio of assets from Lloyds. Daiwa already has three offices in the US and $3.5bn in assets.

But like other Japanese banks it wants to diversify from wholesale lending and treasury operations, and from relying heavily on American subsidiaries of Japanese companies.

Instead it wants to penetrate the US corporate market, particularly in lending to medium-sized companies where margins are higher than with the largest borrowers.

The same rationale lies behind the proposed acquisition by Dai-Ichi Kangyo, Japan's biggest bank, for $1.5bn of 60 per cent of CIT Group, a leasing subidiary of Manufacturers Hanover, the US bank.

That deal, announced last week but it still under discussion, would follow similar purchases of leasing companies made by Fuji Bank, Sanwa Bank and Tokai Bank, among others. Echoing other bankers, Daiwa's Mr Yuji Suzuka, a senior manager in Daiwa's international planning division, says : "We have to be in the US.

"It's the largest and the deepest banking market in the world." Founded in Osaka in 1918, Daiwa was originally known as the Osaka Nomura Bank. In 1926, its bond trading division was spun off to form Nomura Securities, an early indication of the parent company's entrepreneurial abilities.

Daiwa retains strong links with Nomura, which is its largest shareholder with a 3 per cent holding.

The relationship is said to be so close that it could easily develop into a substantial business tie – if the deregulation of Japanese financial markets reaches the point at which such contacts between banks and securities companies are permitted.

Daiwa's chief distinction among Japanese commercial banks is that it is the only one allowed by the Ministry of Finance to do trust banking. This unique privilege has turned Daiwa into a very tempting partner for other banks.

But so far it has resisted their offers of collaboration – including one from Mitsui before it approached Taiyo Kobe. Mr Yuji Suzuka, a senior manager in Daiwa's international planning division, says the bank has avoided imitating other banks. "We have our own unique strategy."

Daiwa believes it has enough clout of its own to expand overseas. It is one of the top 30 largest banks in the world, with assets at the end of March of Y15,382bn, and made net profits of Y39bn.

It has one of the best-developed overseas networks of any Japanese bank outside the top five, with 32 offices abroad, and a securities subsidiary in London.

Pacific Dunlop tops forecast with $204m

By Chris Sherwell in Sydney

PACIFIC DUNLOP, one of Australia's most successful international industrial conglomerates, yesterday reported better-than-expected after-tax profits of A$263.3m ($204m) for the year to June, up 42 per cent on the previous year's A$185.9m.

This was achieved on revenues of A$4.6bn, up 27 per cent from A$3.6bn the previous year. This advance was attributed to a strong performance in all divisions which, according to the company, is expected to continue.

Earnings per share reached a record 40.1 Australian cents, representing a compound growth of 18 per cent during the past five years. Directors declared a final dividend of 9.5 cents a share, making a total of 17 cents for the year, up 28.8 per cent after allowing for a one-for-10 scrip issue.

A breakdown of the results showed that Ansell International, the rubber products and condoms group, was the only business to suffer a decline in pre-interest operating profits, falling to A$51m from A$60m. Offsetting this was a new A$22m contribution from the medical products division, led by the recently acquired Nucleus pacemaker and hearing-aid business.

The industrial and electrical products division remained the largest contributor to operating profits, with A$144m, a 30 per cent share. The batteries division, tyres business, consumer products group and distribution operations also increased their contributions.

Geographically, Australian operations continued to account for two-thirds of sales, with three-quarters of the remaining A$1.5bn in international sales coming from North America.

On the earnings side, 25.3 per cent (A$108m) of profit before interest and tax came from abroad. Two-thirds of this was generated in New Zealand and south-east Asia.

Pacific Dunlop shares finished 10 cents higher at A$5.10, on a day which saw narrow price movements and low volumes.

Shareholders at Paladin abandon disputed meeting

By Michael Marray in Hong Kong

THE CONTROVERSY at Hong Kong-listed trading and investment company Paladin, threatened with delisting by the colony's stock exchange, rumbled on yesterday, when a disputed annual meeting called by a group of minority shareholders was abandoned.

Paladin directors had postponed the meeting scheduled for yesterday because notice of it had not been sent to shareholders in New Zealand, where Paladin shares are listed as well as in Hong Kong. However, the minorities, led by a company called Lai See and being advised by corporate financiers Anglo Chinese Investment, rebooked the venue and announced that the meeting would take place as originally planned. It had hoped to vote Paladin directors off the board at the meeting.

However, under threat of legal action, Lai See agreed to term yesterday's meeting an informal gathering of shareholders. Now it will prepare for a proxy fight at the officially reconvened meeting to be held before 23 October.

A crucial issue then will be whether Paladin directors vote a block of shares belonging to New Zealand Equities to ward off the attack from Lai See. the Hong Kong Stock Exchange has said that this action will lead to the delisting of all Paladin shares locally.

Heavily indebted New Zealand Equities was previously the parent of Paladin, but has been acquired by the Hong Kong company. Lai See opposed this move as detrimental to Paladin minorities. The deal was pushed through with the help of the New Zealand Equities block of Paladin shares, ignoring a warning from Hong Kong's Securities and Futures Commission watchdog that the meeting should be adjourned to allow shareholders time to consider an alternative takeover offer tabled by Lai See. The authorities said that, should its warning be ignored, new shares issued in the group restructuring would not be granted a listing.

Paladin now risks losing its listing altogether, although yesterday directors of the company stressed that they are anxious to keep the listing in Hong Kong, and hope to win the upcoming proxy battle with Lai See.

Little fish get a bite in the Mexican Gulf

Steven Butler on the small oil companies making money where formerly only the majors could operate

When Walter Oil & Gas, a respected and successful family-owned oil company, first started playing the farm-in game – drilling prospects leased by the big oil companies in exchange for a percentage interest – in the Gulf of Mexico in 1983, it nearly had its pick of the deals.

No more. Entry barriers to exploring and producing oil and gas in the Gulf of Mexico have dropped nearly as far as oil prices themselves, and many small companies reckon they too can make money in what not very long ago was a high-technology, frontier area where only well capitalised companies could participate.

Now, says Mr Rusty Walter, who has taken over the running of the company while his father looks for prospects overseas, all kinds of little start-up companies have caught on. Walter Oil & Gas has trouble finding deals that can meet its conservative financial targets and, when they do, chances are that someone else will scoop them up.

The result is a competitive arena that is likely to lead to maximum exploitation of this mature oil province, to the benefit of energy consumers as well as the US economy. The system contrasts with that in the UK, where the Government maintains more control over offshore operations and small companies have less of a role.

In the Gulf since 1983, all acreage has come up every year for auction to the highest bidder, with leases running for five years in shallow water. Minimum bids have dropped to just \$25 an acre. This has meant a steady supply of cheap acreage which, for the oil industry, spells opportunity.

Paradoxically, the fall in oil prices itself contributed to attracting more small companies to play the field. Lower oil prices have changed the economic attractions for big companies to exploit offshore oil acreage that they have already leased, and in some cases they were willing to step aside to allow in companies with different ideas and the cost structure to exploit profitably prospects as small as 5bn cubic feet of gas, compared with the 500bn that big companies like to see.

One of the latest development concepts is a lean-to platform. Two piles are driven at angles against a vertical well pipe conductor, and a small pre-fabricated platform dropped on the three points at the top. Mr Donald Paape, a petroleum geologist trying to set up his own company, figures he can bring a small field into production within a few months for just \$350,000 in drilling costs, \$450,000 for completion, and \$1.3m for the platform itself – if only he can find the financial backers. (Billion dollar platforms are not unusual in the North Sea.)

Many of the big companies retrenched drastically after 1986, leaving them with a surplus of exploration acreage to staff. As leases come up for expiry, companies often choose to let the independents have a crack at it rather than let a lease expire undrilled. Data by the truckload are available, sometimes from the companies themselves, and from specialist suppliers of seismic packages.

"You can get data you used to pay \$50m for almost free," says Mr Paape. He is one of many under-employed geologists and petroleum engineers in Houston, some of whom were let go at the top of their careers by the big companies. They provide a ready pool of expertise ready to work on a contract basis, and some are trying to put together their own companies to have a go themselves.

On top of this, the price of drilling services is still rock bottom; used, virtually off-the-shelf production equipment is available cheap, and there are several companies willing to provide low-cost servicing of offshore production facilities.

"There is a developed infrastructure offshore, where you have all the services you need on a pay-as-you-go basis," says Mr Joe Foster, chairman of Newfield Exploration. "Thirty years ago we had to set up our own radio systems and boat supply systems."

Mr Foster won his spurs in the Gulf as head of the exploration and production division of Tenneco, the industrial group which sold its upstream oil business last year for \$7.3bn. Mr Foster was a main board member who opposed the sale. After it went through, he banded with 24 of his colleagues and founded a new, unusual company.

The company comes with what, for a start-up oil company, is a fat financing package – more than \$10m of seed money and access to more finance. But it also has high overheads in terms of staff, and no production, thus no income.

The company is focusing its efforts on a small area of the Gulf, with which the staff is already familiar.

"We hope to approach this area of the Gulf with as much technology as a major [oil company] can, but with the flexibility of an independent," says Mr Foster.

That technology consists, above all, of using high-resolution, three-dimensional seismic data, manipulated by fast computers, to find small pockets of gas in a well-defined and understood area that can be developed profitably.

"The most successful geologist I ever knew spent his whole life in one county in Oklahoma," says Mr Foster.

Newfield is looking for early cash flow, and chose its first drilling prospect, which it started last month, because the prospect is in shallow water near existing pipelines and, if successful, can be brought on stream in five to six months.

Another unusual story is that of Mr Jeff Sandefer, who, after earning an MBA at Harvard Business School, had the nerve to start an offshore oil company in 1986, just when oil prices were falling through the floor. He says – and no one doubts him now – that he is a contrary character.

"It is a business where you are more active when the market is cold, and less active when the market is hot," he says.

The key in the US industry is to find financial partners, institutions and wealthy individuals who participate in individual wells. Banks will not lend to the oil industry after the recent heavy losses.

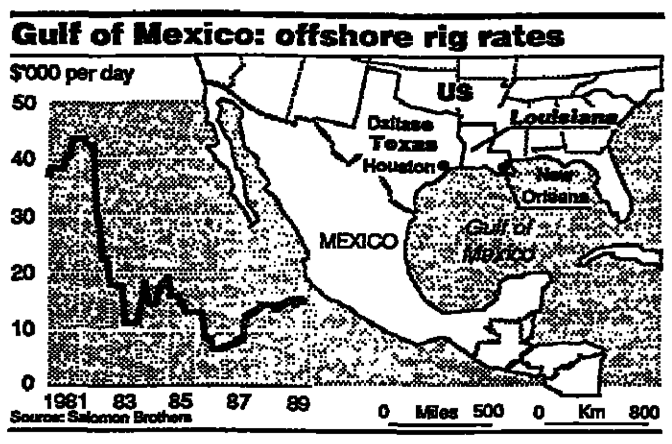
Mr Sandefer has built up interests by farming-in to leased acreage, thus avoiding paying for leases, or buying old producing platforms that big companies do not want to have to dismantle. Horizontal drilling techniques can then be used to tap nearby satellite accumulations from the platform.

After a few years of business, Sandefer Offshore Exploration is operating 12 mostly unmanned platforms in the Gulf with a staff of just eight. To avoid getting fat, however, Mr Sandefer is planning to sell all of them in the coming months to concentrate on what the company has proved it can do well: finding oil and gas and developing it at a profit.

"Right now everyone is buying property, so it's a good time to explore," he says.

A key plank in the company strategy is to keep small and to know when to withdraw quickly and head for greener pastures. It might as well sell the cash flow rather than keep capital tied up, especially when many analysts figure that Amerada Hess recently paid more for the gas reserves in the ground of Transco, another successful independent, than that gas is worth delivered to the market today.

Gulf of Mexico: offshore rig rates



Source: Salomon Brothers

Seiyu to acquire 40% of Hong Kong retail group

By Michael Marray

JAPANESE group Seiyu is moving into Hong Kong retailing. It has signed a conditional agreement to acquire 40 per cent of Wing On department stores for HK\$356m (US\$45.6m). Wing On operates a chain of nine outlets in the colony.

Seiyu, a member of the Saison Group, operates a large retail network in Japan, with turnover for its last financial year of HK\$56.5bn. A statement said that Wing On and Seiyu intend to co-operate to expand the Wing On department stores group into other countries in South-East Asia.

Wing On department stores is a wholly owned subsidiary of the Wing On company, which intends to retain the other 60 per cent of the shares. The department store unit owns two store premises and a distribution warehouse, and total turnover from its nine stores is forecast to top HK\$1.3bn during this financial year to December.

The department store sector in Hong Kong is dominated by Japanese companies, and has experienced a boom over several years on the back of increased spending power due to rising wages in the colony.

Events in China in June have raised doubts over continued growth in consumer spending. The Seiyu investment is likely to be seen as a confidence-booster for the territory's retailing sector.

Bank to help troubled BCE arm

By Robert Gibbens in Montreal

BCE, Canada's largest conglomerate, has retained investment bank Goldman Sachs of New York to find buyers for US properties owned by its troubled real estate arm, BCE Development.

BCE Development has around US\$1.5bn in US assets, including office buildings in Chicago, Minneapolis, Denver and St Paul, Minnesota. The division, formerly Daon Development, also has a large portfolio in Canada.

The Reichmann Brothers of Olympia and York Developments recently dropped an offer to buy BCE Development, while attempts to sell the US portfolio to JMB Realty of Chicago have failed.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday,September 18,1989 . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)	COUNTRY	£ STG	US $	D-MARK	YEN (X 100)	COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan (Afghani)	99.25	63.2165	32.3817	43.3406	Greenland (Danish Krone)	11.9125	7.5875	3.8866	5.2019	Peru (Inti)	- 6447.56	4106.7261	2103.6084	2815.5283
Albania (Lek)	10.1013	6.4339	3.2956	4.4110	Grenada (E Carr $)	4.1999	2.6750	1.3702	1.8340	Philippines (Peso)	33.00	21.0191	10.7667	14.4104
Algeria (Dinar)	12.7579	8.1260	4.1624	5 5711	Guadaloupe (Local Fr)	10.3475	6.5907	3.3760	4.5185	Pitcairn Is (£ Sterling)	1.00	0.6369	0.3262	0.4366
Andorra (Fr Fr)	10.3475	6 5907	3.3760	4 5185	Guam (US $)	1.5700	1	0.5122	0.6855	(NZ $)	2.6425	1.6831	0.8621	1.1539
(Sp Peseta)	191.25	121.8152	62.3980	83.5152	Guatemala (Quetzal)	4.4595	2.8404	1.4549	1.9473	Poland (Zloty)	2248.41	1432.1082	733.5758	981.8384
Angola (Kwanza)	46.8365	29.8321	15.2810	20.4526	Guinea (Fr)	466.65	297.2292	152.2512	203.7772	Portugal (Escudo)	256.60	163.4394	83.7194	112.0524
Antigua (E Carr $)	4.1999	2.6750	1.3702	1.8340	Guinea-Bissau (Peso)	1011.08	644	329.8792	441.5196	Puerto Rico (US $)	1.5700	1	0.5122	0.6856
Argentina (Austral)	1019.80	649.5541	332.7243	445.3275	Guyana (Guyanese $)	46.01	29.3057	15.0114	20.0917	Qatar (Riyal)	5.6908	3.6247	1.8567	2.4850
Aruba (Florin)	2.7843	1.7734	0.9084	1.2158	Haiti (Goude)	7.7775	4.9538	2.5375	3.3962	Reunion Is. de la (F/Fr)	10.3475	6.5907	3.3760	4.5185
Australia (Aus $)	2 0113	1.2810	0.6562	0.8782	Honduras (Lempira)	3.1250	1.9904	1.0195	1.3646	Romania (Leu)	14.781	9.4140	4.8221	6.4541
Austria (Schilling)	21.735	13.8439	7.0913	9.4912	Hong Kong (HK $)	12.2008	7.7712	3.9806	5.3278	Rwanda (Fr)	127.388	81.1388	41.5621	55.6279
Azores (Port Escudo)	256.60	163.4394	83.7194	112.0524	Hungary (Forint)	95.4885	60.8207	31.1544	41.6980	[illegible]				
Bahamas (Bahama $)	1.5700	1	0.5122	0.6855	[illegible]					[illegible]				
[illegible]					[illegible]					[illegible]				
Faroe Is (Danish Kroner)	11.9125	7.5875	3.8866	5.2019	N'nd Antilles (A/Guilder)	2.8054	1.7868	0.9153	1.2250	Virgin Is-US (US $)	1.5700	1	0.5122	0.6855
Fiji Is (Fiji $)	2.3790	1.5152	0.7761	1.0388	New Zealand (NZ $)	2.6425	1.6831	0.8621	1.1539	Western Samoa (Tala)	3.5575	2.2659	1.1606	1.5534
Finland (Markka)	6.9218	4.4087	2.2583	3.0226	Nicaragua (Cordoba)	33250.00	21178.3439	10848.2871	14519.6506	Yemen (Rial)	15.21	9.6878	4.9624	6.6419
France (Fr)	10.3475	6.5907	3.3760	4.5185	Niger Rep (CFA Fr)	517.38	329.5414	168.8026	225.9301	Yemen PDR (Dinar)	0.5335	0.3398	0.1740	0.2329
Fr. Cty/Africa (CFA Fr)	517.38	329.5414	168.8026	225.9301	Nigeria (Naira)	11.3240	7.2127	3.6946	4.9449	Yugoslavia (Dinar)	50197.0	31972.6114	16377.4877	21920.0873
Fr. Guiana (Local Fr)	10.3475	6.5907	3.3760	4.5185	Norway (Nor. Krone)	11.1775	7.1194	3.6468	4.8810	Zaire Rep (Zaire)	652.68	415.7197	212.9461	285.0131
Fr. Pacific Is (CFP Fr)	187.45	119.3949	61.1582	81.8558	Oman (Rial Omani)	0.6015	0.3831	0.1962	0.2626	Zambia (Kwacha)	25.80	16.4331	8.4176	11.2663
Gabon (CFA Fr)	517.38	329.5414	168.8026	225.9301	Pakistan (Pak. Rupee)	32.30	20.5732	10.5383	14.1048	Zimbabwe ($)	3.4975	2.2277	1.1411	1.5272
Gambia (Dalasi)	12.0582	7.6803	3.9341	5.2655	Panama (Balboa)	1.5700	1	0.5122	0.6855					
Germany East (Ostmark)	3.0650	1.9522	1	1.3384	Papua New Guinea (Kina)	1.3387	0.8526	0.4367	0.5845					
Germany West (DMark)	3.0650	1.9522	1	1.3384	Paraguay (Guarani)	1969.50	1254.4585	642.5774	860.0436					
Ghana (Cedi)	438.21	279.1146	142.9722	191.3580										
Gibraltar (Gib £)	1.00	0.6369	0.3262	0.4366										
Greece (Drachma)	265.60	169 1719	86.6557	115.9825										

Special Drawing Rights Sept.15,1989 United Kingdom £1.25640 United States $1.23750 Germany West D Mark 2.44542 Japan YenN/A European Currency Unit Rates Sept.18,1989 United Kingdom £1.47591 United States $1.05285 Germany West D Mark 2.07600 Japan Yen154.400

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate ; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business.rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate;
Some data supplied by Bank of America, Economics Department. London Trading Centre. Enquiries: 01 634 4360/5.
Monday,September 18,1989

Notice to the Warrant Holders of

MITSUI TOATSU CHEMICALS, INC.

US$ 200,000,000

4½% Guaranteed Bonds due 1992

With Warrants to Subscribe For Shares of Common Stock of Mitsui Toatsu Chemicals, Inc.

Pursuant to Clause 4 (C) of the Instrument dated 18th August, 1988 (the "Instrument") relating to the above-captioned warrants (the "Warrants"), notice is hereby given as follows:

On 15th September, 1989, Mitsui Toatsu Chemicals, Inc. (the "Company") issued, in accordance with the resolution of its Board of Directors adopted at a meeting held on 21st August, 1989 and 28th August, 1989, 60,000,000 new shares of its common stock by way of public offering in Japan at the price of Yen 985 per share. Consequently, the Subscription Price (as defined in the Instrument) with respect to the Warrant has been adjusted in the manner as set forth below pursuant to Clause 3 (vi) of the Instrument.

a) Subscription Price before adjustment: Yen 856.00
b) Subscription Price after adjustment: Yen 852.30.
c) Effective Date of adjustment: 15th September, 1989 (Tokyo time).

Mitsui Toatsu Chemicals, Inc.
By The Long-Term Credit Bank of Japan, Limited as Principal Paying Agent

19th September, 1989

INTERNATIONAL CAPITAL MARKETS

Court ruling hits authority of Tel Aviv stock exchange

By Hugh Carnegy in Jerusalem

THE Tel Aviv Stock Exchange has been shaken by a court ruling against it which has thrown into doubt its ability to enforce its own market regulations.

The issue arose when the Tel Aviv District Court upheld a challenge by a property company called Israel Land Development against a 1988 Stock Exchange ruling which required holders of controlling so-called founders' shares in any company to own at least 20 per cent of ordinary equity.

In his verdict, the judge questioned the legality of Stock Exchange rules governing listing requirements.

The exchange, the Securities Authority and the Finance Ministry were alarmed that the verdict implied the Stock Exchange had no legal authority, for example, to refuse a listing to a small company which the market authorities judged incompetent for membership.

Officials are now urgently reviewing the possibility of early legislation to resolve the issue.

They were already conducting a complex review of the market rulebook with a view to producing new securities laws, but the process had been intended to take another year. Meanwhile, an appeal against the District Court decision may be made to the Supreme Court.

The problem comes at a bad time for the Stock Exchange as it prepares for what it hopes will be a period of expansion on the back of a series of planned privatisation issues by the Government.

At present, the Government dominates the market through state bonds and bank shares subject to Government guarantees which, together, are worth about $20bn, compared with a total market capitalisation of conventional equities of $5.5m. However, the ordinary share index has risen above about 50 per cent in dollar terms in the last year.

Marriott Moore draws backers

By Chris Sherwell in Sydney

A HANDFUL of well-known international executives, including Mr Rupert Murdoch and Mr Rupert Hambro, yesterday announced their backing for a new corporate finance firm started by two former Elders group employees.

The firm, called Marriott Moore after its two principals, enters a highly-crowded banking sector at a difficult time.

Other backers include Mr Garner Anthony, chairman and chief executive of the US Cox media group, Kenneth Baillieu Myer and Sidney Baillieu Myer, who made their fortunes from the Myer (now Coles Myer) retailing group, and Mr Ian Beaurepaire, a director of Pacific Dunlop.

Ms Patrice Marriott, the new group's chief executive, was formerly senior project manager at Elders IXL.

Tokyo SE keeps its cool in friction over two UK firms

By Robert Thomson in Tokyo

THE TOKYO Stock Exchange, pressed by the British Government to provide seats for two firms, Barclays de Zoete Wedd and James Capel Pacific, has indicated that the visit to Japan this week of Mrs Margaret Thatcher provides no reason to hurry the deliberation on the firms' status.

Mrs Thatcher will raise the issue in meetings with Japanese officials this week and is almost certain to ask Mr Toshiki Kaifu, the prime minister, for a quick resolution of the matter, which is virtually the only source of economic friction between the two countries.

The issue arose when the Tokyo exchange failed to offer memberships to the two firms when 16 other foreign companies were given seats in December 1987. Since then, most visiting British ministers have complained about the exclusion of BZW and James Capel Pacific, while officials at the exchange have replied that there is simply no room for the firms.

Mrs Thatcher told a group of Japanese journalists in London late last week that the issue will be high on her agenda. A TSE official, however, said that no special briefing paper will be prepared for the visit and that, if asked, the exchange will simply explain that a committee has been formed to review the matter.

While British officials do not expect the exchange to suddenly grant seats to the two firms, they have been hoping that the prime minister's visit would prompt a clearer prediction on a likely admission date.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on September 18

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9⅞ 95	600	103⅞	103¾	+0⅞	+0½	8.60
Austria 9⅝ 93	140	102⅞	102¾	0	+0½	8.73
B.F.C.E. 8¾ 94	175	101¼	102	—	—	7.89
B.F.C.E. 9¼ 95	150	102⅞	102⅞	+0⅛	+0⅞	8.67
Brit. Tel. Fin. 9⅞ 98	250	103¼	103¾	+0⅛	+0⅛	8.79
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	100⅞	100⅞	0	-0¼	5.53
Canada 5⅝ 93	80	100⅞	100⅞	0	-0¼	5.47
Eurofima 5 1995	20	97¼	97¼	-0⅛	-0¼	5.53
E.I.B. 4⅞ 93	30	97¾	98	-0⅛	-0⅛	5.56
Ireland 5⅛ 93	30	98½	99	0	0	5.51
[illegible]						

[illegible]

[illegible]

INTERNATIONAL CAPITAL MARKETS

World Bank $1.5bn issue gets underway

By Andrew Freeman

THE much-heralded $1.5bn global bond issue from the World Bank was finally launched yesterday when the lead dealers, Deutsche Bank Capital Markets and Salomon Brothers, outlined the basic terms and started the clock on a 24-hour pricing period.

INTERNATIONAL BONDS

The bonds will have a 10-year maturity and are syndicated on a fixed-price re-offering basis. An announcement in New York today will give final details of the issue price which will be at a spread of between 38 and 40 basis points over the equivalent US government issue. Shortly thereafter, the syndicate will break and the bonds will trade freely in the US and Euro-markets.

The two lead dealers have commitments of $150m, while other participants have $75m. The 14 members of the underwriting group spent yesterday sounding out institutional investors on the precise spread at which they would buy the bonds. Some of the group said this was futile as demand was so strong they could sell paper on an even tighter spread. One cynical trader pointed out that the deal was effectively sold out weeks ago after extensive pre-marketing to institutions by the World Bank and the underwriters.

Mr Donald Roth, World Bank treasurer, said in London that he was confident the bonds would find good demand and that the deal offered both enhanced value to investors and a reasonable profit for underwriters which receive a fixed ⅜ point commission.

Most speculation yesterday centred on what will happen to the bonds after today's fixing. Demand has reportedly been so good that the World Bank must be tempted to tighten the launch spread and gain cheaper funds. However, this is thought unlikely as such a move would damage the crucial public relations element of the deal.

Amid such strong demand, there are unlikely to be investors willing to sell their bonds if, or until, the price increases to a level where they can take profits. "This will initially be a bid only market, because no-one will want to risk being taken short by displaying an offer price and having it lifted," said one syndicate manager.

While the US-style re-offering technique is becoming more accepted on the Eurobond market, Paribas Capital Markets gave a reminder that the traditional underwriting and commission structure can still work effectively when it launched a $250m 10-year deal for Crédit Local, the French local authority lending agency.

Paribas made no secret of the fact that it was taking advantage of strong demand for 10-year dollar paper from investors which think they are unlikely to be allocated any World Bank bonds.

The Credit Local bonds were offered with an 8⅝ per cent coupon and were priced at 101.65 to yield some 65 basis points over the equivalent Treasury issue. Traders reported good demand and the lead manager was quoting the paper at less 1.85 bid, comfortably inside 2 per cent fees. The proceeds were swapped into floating-rate French francs.

A Paribas official confirmed that the borrower had decided not to follow a re-offering style syndication on the grounds that the technique is not fully established. Nevertheless, the syndication borrowed from the newer method – the group consisted only of co-lead managers, removing the need for a *praecipuum*, and members were initially asked not to offer the bonds below less 1.60.

In Switzerland, a SFr129m equity warrants deal for Kaufhof Finance was launched by UBS to a good reception. The borrower is a subsidiary of the European department store chain.

Each bond has two types of warrant attached offering different exercise periods. The bonds with warrants were quoted by UBS at a discount of less ⅝ bid to the high issue price of 148 points.

In Germany, a DM200m 10-year floating-rate note issue brought for the Asian Development Bank by Deutsche Bank had a slow reception amid comments that the pricing was aggressive. The bonds offered a yield of 15 basis points below six-month Libor. The lead manager was quoting the bonds at 99.85 bid, just outside fees of 20 basis points. Proceeds were swapped into fixed-rate yen.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
World Bank(d)♦	1.5bn	(c)	(c)	1999	⅜/⅜	Deutsche Bank Cap.Mkts
Credit Local(d)♦	250	8⅝	101.65	1999	2/1⅜	Paribas Capital Markets
NEW ZEALAND DOLLARS						
Interfinance Cr.National(d)♦	60	13	102	1992	1½/1	Hambros Bank
D-MARKS						
Asian Development Bank(a)‡♦	200	-15bp	100.10	1999	20/10bp	Deutsche Bank
SWISS FRANCS						
Kaufhof Finance NV(b)♦♦	129	6	148	1996	n/a	UBS
SWEDISH KRONA						
Eurofima(d)♦	300	11	101⅞	1992	1⅞/⅞	PKbanken

♦With equity warrants. ‡Floating rate notes. ♦Final terms. a) 15bp under 6-month Libor. b) Each SFr5,000 has 14 'A' warrants (exercise period Nov. 1989-Sept. 1992) and 15 'B' warrants (exercise period Nov.1989-Sept.1996). Each warrant can be exercised into one share at DM430. c) Coupon and issue price will be fixed today. d) Non-callable.

Philippines $50m fund launched on London SE

By Andrew Baxter

BANQUE Indosuez, banking subsidiary of France's Groupe Suez, yesterday launched its $50m Manila Fund, the first such fund for international investors to be quoted on a big international stock exchange.

The fund, registered in the Cayman Islands, will be listed on the London Stock Exchange. It follows the success of two other recent Indosuez funds, the $100m Siam Fund and the $35m Malacca Fund, and aims to tap growing interest from UK institutions in investing in south-east Asia.

Mr Robert Lloyd George, managing director of Indosuez Asia Investment Services, said that the closed-end fund will facilitate foreign portfolio investment in the Philippines. "The market is open to foreign investors, it is just difficult to trade in." The fund will run for seven years.

Mr Lloyd George said that President Cory Aquino had proved the point of political stability over the past 2½ years. The peso was stable against the US dollar and the stock market was belatedly waking up to developments in the real economy. "The wait and see phase has been replaced by 'Let's invest,'" he said.

The fund intends to be realistic about the stocks available for purchase, and will concentrate on the 35 liquid stocks, for which Indosuez has largely had to develop its own research base. Taking a long-term view, Mr Lloyd George said the export sector of the Philippines economy, particularly the textile sector, would be a key area for investment.

The fund comprises 5m shares of one US cent par value, priced at $10.40 apiece. Banque Indosuez and the International Finance Corporation, affiliated to the World Bank, have underwritten 3.8m shares, and Indosuez is arranging placing of the other 1.2m.

Mr Lloyd George expects 70 per cent of the fund's shares to be held in the UK. It may take 12 months or more for the fund to become fully invested.

Asda announces financing details for Gateway deal

By Andrew Freeman

ASDA, the UK supermarket and food retailing group, has announced financing details for the bulk of its £705m ($1,085m) acquisition of 61 Gateway stores from the Isosceles group which took control of Gateway earlier this year.

There are three main elements of the Gateway financing. National Westminster Bank will be the arranger of an extension to £500m of the company's existing five-year £200m multi-option facility, while Swiss Bank Corporation has been mandated to syndicate a £250m transferable-term loan facility which will be fully drawn. Of these funds, £500m is committed.

After completion of the acquisition, Asda plans to issue a £150m vendor placing of convertible capital bonds on the UK domestic market. Warburg Securities will be the lead manager, and final terms will be fixed for launch in mid-October.

Mr Ron Scott, Asda's group finance director, said: "In addition to the Gateway transaction, the short-term borrowings have to be seen in the context of our cash requirements for the rest of the business and our property financing plans."

A shareholders meeting to approve the Gateway acquisition will be held in the week of October 9.

The multi-option facility organised by NatWest carries a margin of 12½ basis points and a facility fee of 7¼ basis points. A 5 basis point utilisation fee will become payable if average use rises above 50 per cent.

The loan, arranged by Swiss Bank Corporation, will consist of three tranches, the first £125m maturing after one year and two equal tranches maturing after two and three years respectively. Banks have been invited to submit bids to participate in the tranches subject to maximum margins of 12½, 17½ and 20 basis points respectively.

● Swire Pacific, the Hong Kong trading house, has negotiated its first underwritten loan, a five-year HK$1.5bn facility in the form of transferable loan certificates, Reuters reports.

The company confirmed that the issue will be priced at 25 basis points above the Hong Kong Interbank Offered Rate with a commitment fee of 25 basis points above Hibor. The loan will be used mainly for property development, Swire said.

CVRD to raise $200m

By John Barham in Sao Paulo

COMPANHIA VALE do Rio Doce (CVRD), Brazil's leading mining company, plans to raise up to $200m through a Euro-commercial paper programme in the first approach of a Brazilian government company to the market since the onset of the Latin debt crisis in 1982.

CVRD decided to raise financing abroad because local real interest rates are high and because it wants to prepare the market for future issues. CVRD, once active on the international bond market, is expecting to pay about ¾ percentage point over Libor in an operation co-ordinated by JP Morgan.

Fuji Bank will guarantee the paper, which is to be launched on September 25. Maturities will vary from a minimum of 30 days, but the company guarantees that the paper can be rolled over for a maximum of two years.

Brazilian subsidiaries of multinational companies have successfully sold commercial paper guaranteed by their headquarters on the international market. But until now, the Brazilian central bank has turned down requests by state companies to issue paper abroad.

The banks will back the CVRD issue with cash tied up in the compulsory trade lines opened to Brazil as part of its $115bn foreign debt restructuring package.

US Treasuries register small losses at short end

By Karen Zagor in New York and Rachel Johnson in London

US TREASURY bonds were narrowly mixed yesterday, registering small losses at the short end of the yield curve and slight gains at the long end. In mid-session trading, the

GOVERNMENT BONDS

bellwether 30 year bond was up ⅛ point at 100⅜, yielding 8.07 per cent. At the short end, the two-year issue was ⅛ point lower, yielding 8.09 per cent.

Fed funds, the rate at which banks lend to each other, changed hands at 8¾ per cent throughout the morning. The Federal Reserve did not operate in the money market. The target range for the funds is still thought to be 9 per cent to 9¼ per cent.

All was quiet in yesterday's junk bond market after last week's excitement when the cash-flow crisis at Campeau Corporation triggered heavy losses in this high-yield sector.

"There are some bottom-feeders nibbling around, but the excitement seems to be over for the moment," said one trader. However, another analyst warned that there was still plenty potential for volatility.

The dollar posted moderate losses through the early afternoon with the US currency changing hands at Y145.75 and DM1.9615, down from its earlier London high of Y146.91 and DM1.9770.

■ The UK government bond market had a reasonable day at the longer end, with bonds done in 2000 moving up ⅛. The shorter end staged a late recovery to move up ⅛, in slower trading. News of the Bank of England's reverse auction in a reassuringly narrow range helped to underpin the modest gains, although the PSBR announcement of £700m was exactly what the market had been expecting.

■ With the D-Mark strengthening throughout the day, the German government bond market eventually made good initial falls of between 10 and 20 pfennigs. The improvement in bunds resulted mostly from dollar weakness and a better day for the Bund futures market in reaction to the day's fixings. Most secondary trading was hesitant, however, in advance of Thursday's Bundesbank meeting on monetary policy and today's decisions on repurchasing agreements.

■ Continuing bearishness in Sydney sent the futures market lower yesterday amid heavy selling in advance of Thursday's announcement of the current account deficit – widely expected to be A$2bn.

The December 10-year bond closed at 86.740, down from 86.930 at opening. The yield on the benchmark bond July 2000 has moved 40 basis points in the last two weeks, from 12.80 per cent to yesterday high of 13.25 per cent, dropping a point in price from last Friday.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	8/92	105-28	-1/32	11.15	11.08	10.63
	9.750	1/98	96-23	+5/32	10.34	10.32	9.98
	9.000	10/08	95-14	+10/32	9.41	9.40	9.14
US TREASURY *	8.000	8/99	99-13	-	8.09	8.13	8.17
	8.125	8/19	100-16	-1/32	8.08	8.08	8.16
JAPAN No 111	4.600	6/98	95.3957	-0.167	5.38	5.35	5.01
No 2	5.700	3/07	104.7745	-0.001	5.18	5.16	4.96
GERMANY	6.750	6/99	98.7000	+0.150	6.93	6.89	6.76
FRANCE BTAN	8.000	7/94	96.3758	-0.110	8.94	8.71	8.63
OAT	8.125	5/99	96.9700	+0.070	8.58	8.45	8.44
CANADA *	9.500	10/98	99.7500	-	9.54	9.49	9.44
NETHERLANDS	7.250	7/99	99.9300	+0.030	7.26	7.20	7.09
AUSTRALIA	12.000	7/99	92.8362	-0.849	13.32	13.05	13.01

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Sep 18 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Sep 15 Index No.	Thu Sep 14 Index No.	Wed Sep 13 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (208)	981.11	-0.3	11.17	4.23	10.96	24.39	982.57	989.86	996.22	758.37
2	Building Materials (29)	1166.64	-0.4	12.88	4.60	9.70	29.34	1171.69	1172.77	1178.19	945.99
3	Contracting, Construction (37)	1569.28	-0.1	15.48	4.74	8.43	41.25	1571.53	1573.43	1589.86	1510.97
4	Electricals (9)	2916.53	+0.8	8.56	4.08	14.54	55.83	2894.71	2929.06	2950.55	2083.18
5	Electronics (30)	2208.94	+0.4	8.82	3.32	14.63	48.92	2199.45	2218.51	2250.41	1638.25
6	Mechanical Engineering (56)	538.43	-0.2	10.35	4.18	11.80	12.43	539.53	543.71	543.35	394.96
8	Metals and Metal Forming (6)	522.33	+0.1	19.71	5.82	5.60	15.15	521.64	528.99	525.29	465.15
9	Motors (18)	357.40	+0.4	10.28	4.36	11.39	9.64	356.04	358.04	360.63	266.79
10	Other Industrial Materials (23)	1794.81	-1.0	9.17	4.17	12.86	50.40	1812.48	1836.24	1852.24	1284.64
21	CONSUMER GROUP (184)	1377.94	+0.4	7.95	3.13	15.77	23.49	1371.85	1379.87	1390.85	1029.89
22	Brewers and Distillers (22)	1520.84	+0.3	8.74	3.21	14.32	25.65	1516.87	1530.09	1537.45	1072.81
25	Food Manufacturing (20)	1192.28	+0.7	8.62	3.55	14.49	23.38	1184.12	1191.88	1202.62	938.95
26	Food Retailing (14)	2628.09	+0.9	7.73	2.63	17.11	38.73	2605.22	2623.26	2640.69	1829.34
27	Health and Household (14)	2648.23	+0.3	5.58	1.58	21.13	22.32	2639.28	2648.72	2676.91	1788.81
29	Leisure (34)	1811.85	+0.4	7.18	3.12	17.20	32.46	1803.82	1817.13	1831.45	1310.55
31	Packaging & Paper (15)	610.60	-0.8	10.17	4.26	12.21	15.78	615.38	615.30	612.86	497.03
32	Publishing & Printing (19)	3795.39	......	8.40	4.45	15.31	98.58	3794.59	3771.50	3770.67	3256.58
34	Stores (32)	890.81	+0.6	9.68	4.14	13.49	18.54	885.69	894.59	903.68	742.57
35	Textiles (14)	584.99	+0.7	10.19	5.80	11.73	15.40	580.89	582.23	582.45	586.87
40	OTHER GROUPS (93)	1206.08	+0.5	9.74	4.01	12.46	25.42	1200.86	1199.42	1209.50	862.37
41	Agencies (17)	1560.78	+0.1	6.85	2.26	18.04	23.12	1559.44	1581.86	1607.19	1015.93
42	Chemicals (22)	1327.50	-0.1	11.22	4.69	10.51	41.28	1328.60	1331.45	1344.85	1026.87
43	Conglomerates (13)	1716.54	+0.9	9.98	4.76	11.79	28.94	1702.05	1714.66	1740.36	1182.73
45	Transport (13)	2436.36	+0.2	9.03	3.84	14.22	44.09	2431.39	2418.12	2431.86	1808.16
47	Telephone Networks (2)	1175.23	+1.7	10.42	4.22	12.51	22.38	1155.29	1154.82	1166.47	925.92
48	Miscellaneous (26)	1937.46	-0.4	8.97	3.29	12.58	44.32	1945.98	1921.07	1916.45	1169.57
49	INDUSTRIAL GROUP (485)	1242.67	+0.3	9.29	3.66	13.27	25.13	1238.86	1244.11	1253.60	925.72
51	Oil & Gas (15)	2253.41	-0.2	9.61	5.82	13.75	86.44	2258.22	2280.42	2306.36	1755.77
59	500 SHARE INDEX (500)	1328.38	+0.2	9.33	3.84	13.33	30.10	1325.23	1331.83	1342.66	996.00
61	FINANCIAL GROUP (121)	812.66	+0.2	-	5.11	-	26.38	810.95	818.87	818.79	666.08
62	Banks (9)	827.54	+0.4	20.85	6.03	6.30	34.80	823.85	830.53	833.87	646.85
65	Insurance (Life) (8)	1211.20	-0.4	-	5.16	-	45.37	1215.89	1238.40	1233.39	994.20
66	Insurance (Composite) (7)	673.70	+0.4	-	5.61	-	24.09	670.94	682.20	670.32	518.98
67	Insurance (Brokers) (7)	980.40	+0.5	7.73	6.34	17.27	44.55	975.53	982.37	980.22	916.03
68	Merchant Banks (10)	397.94	-1.1	-	4.06	-	9.45	402.56	404.34	406.95	324.29
69	Property (49)	1352.38	+0.6	6.51	2.97	19.57	19.81	1344.40	1353.54	1360.34	1147.53
70	Other Financial (31)	363.46	-0.9	11.00	6.04	11.70	10.74	366.76	371.20	369.62	355.70
71	Investment Trusts (69)	1273.25	+0.1	-	2.64	-	19.44	1271.92	1275.27	1283.05	894.72
81	Mining Finance (1)	713.41	+0.2	10.67	3.78	10.53	22.25	712.13	726.24	735.22	526.46
91	Overseas Traders (8)	1478.04	+0.5	9.73	5.04	11.77	43.67	1470.01	1483.40	1504.11	1167.87
99	ALL-SHARE INDEX (699)	1203.10	+0.2	-	4.00	-	28.93	1200.32	1207.32	1215.71	912.59

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 15	Sep 14	Sep 13	Sep 12	Sep 11	Year ago
FT-SE 100 SHARE INDEX§	2373.8	+7.3	2373.8	2358.3	2366.5	2382.0	2401.5	2397.6	2400.6	1759.9

FIXED INTEREST

	PRICE INDICES	Mon Sep 18	Day's change %	Fri Sep 15	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	117.16	+0.04	117.66	0.54	9.20
2	5-15 years	132.93	+0.19	132.67	-	9.40
3	Over 15 years	142.31	+0.38	142.46	0.69	11.64
4	Irredeemables	165.60	-0.19	165.92	-	8.83
5	All stocks	130.29	+0.16	130.35	0.27	9.71
	Index-Linked					
6	5 years	140.18	......	140.17	-	2.26
7	Over 5 years	138.76	+0.05	138.69	-	2.89
8	All stocks	138.75	+0.05	138.68	-	2.82
9	Debentures & Loans	112.01	-1.13	113.78	0.48	7.35
10	Preference	89.28	+0.01	89.59	0.32	4.24

	AVERAGE GROSS REDEMPTION YIELDS		Mon Sep 18	Fri Sep 15	Year ago (approx.)
	British Government				
1	Low	5 years	9.73	9.74	10.07
2	Coupons	15 years	9.34	9.35	9.70
3		25 years	9.25	9.26	9.37
4	Medium	5 years	10.72	10.74	10.50
5	Coupons	15 years	9.74	9.78	9.94
6		25 years	9.37	9.40	9.63
7	High	5 years	10.83	10.85	10.63
8	Coupons	15 years	9.95	9.98	10.07
9		25 years	9.53	9.56	9.62
10	Irredeemables	†	9.31	9.29	9.30
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.10	3.10	3.44
12	Inflation rate 5%	Over 5 yrs.	3.52	3.52	3.92
13	Inflation rate 10%	5 yrs.	2.23	2.23	2.28
14	Inflation rate 10%	Over 5 yrs.	3.34	3.34	3.74
15	Debs &	5 years	12.78	13.11	11.62
16	Loans	15 years	11.94	11.91	11.32
17		25 years	11.44	11.26	11.15
18	Preference	†	10.31	10.30	10.13

§Opening index 2358.3; 10 am 2369.9; 11 am 2370.8; Noon 2371.4; 1 pm 2371.9; 2 pm 2373.0; 3 pm 2372.9; 3.30 pm 2372.3; 4 pm 2370.6
(a) (b) † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	66	10	29
Corporations, Dominion and Foreign Bonds	20	4	18
Industrials	447	355	792
Financial and Properties	181	124	361
Oils	26	18	47
Plantations	1	0	10
Mines	15	65	94
Others	66	66	121
Totals	822	642	1,472

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
20	Nil	17/10	7pm	2½pm	Lowndes Queensway	3pm	
20	Nil	25/9	8pm	2pm	§Splice	3pm	
225	Nil	-	53pm	50pm	§Sunset & Vine 5p	53pm	
115	Nil	30/9	34pm	24pm	Wheway	32pm	+1

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on Prospectus or other offical estimates for 1989. K Dividend and yield based on prospectus or other offical estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures ♥ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights" † Introduction. §Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. § Allotment price. ‡ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. ° Third Market.

TRADITIONAL OPTIONS

- First Dealings Sep 11
- Last Dealings Sep 22
- Last Declarations Dec 7
- For settlement Dec 18

For rate indications see end of London Share Service

Calls in Norfolk Cap, Regina, EFM Dragon Trst, Victa, Mowat, Tuskar, Butte, Lucas, IMC, GKN, Bear Brand, Priest Ben, Brent Walker. Puts in Jaguar.

LONDON TRADED OPTIONS

THE LONDON Traded Options Market passed an exceptionally sleepy day, even by its own recent somnolent standards. The stock market was itself becalmed, lacking inspiration from Wall Street, and boxed in on the upside by 14 of the FT-SE 100 index stocks having just gone ex-dividend. Volumes in the cash market were well below normal, with only just over 310m shares exchanged.

Options turnover was just 19,510 contracts, of which most were in call series, with only 6,419 puts traded. Over a third of the business was directed towards the FT-SE crowd, with 3,825 puts outweighing 3,090 calls.

Asda, which has been one of the most active stocks since it was listed with restricted life status, topped the list of individual stock options, with 2,078 lots traded, all but 10 of them calls.

The stock fell when a bid again failed to materialise, but dealers speculated a takeover would be likely to emerge before the extraordinary general meeting in two weeks to clinch the superstore purchase from Gateway.

A good proportion of yesterday's business was in the September 220 calls, which recorded 922 lots in sum. According to preliminary figures, open interest stayed more or less unchanged at 6,033 contracts in that series, indicating some players had been closing out call positions.

British Gas options volume was almost entirely due to business in the September 180 calls, amounting to 1,200 lots and taking open interest to 2,708 contracts from 1,978 contracts.

Rolls Royce continues to stimulate a modest amount of options activity, with 325 lots in both the September 180 calls and the September 200 puts. Total turnover of 1,130 lots was split between 795 calls and 335 puts.

In BP, where interest is sustained by the company's restructuring plans, the busiest series was the October 260 calls with 303 contracts changing hands. Total turnover of 961 lots was largely in calls (902).

Meanwhile, British Steel traded 813 options, 603 calls, 200 of them in the January 155 series.

UK COMPANY NEWS – THE PROBLEMS AT FERRANTI

Versed in the art, and science, of defence

David White fills in the background of Ferranti in its various fields of expertise

A NEW International Institute for Defence Procurement Studies, being formed in London, so far has only one industrial participant – Ferranti International Signal. In the light of what has emerged over the past few days, the company itself will make an excellent case study. Any lessons that may be drawn ,however, may come too late.

Ferranti has become increasingly dependent on its defence activities, moving out to grasp the business of providing complete integrated systems and aiming to set itself up as a missile supplier as well.

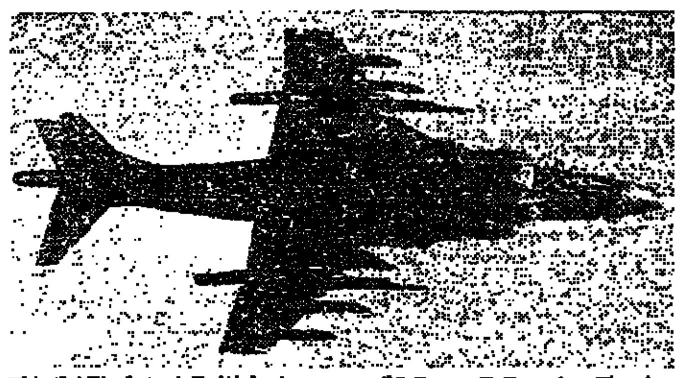
But, even before facing the implications of "irregularities" at its ISC Technologies offshoot, it has already had its share of setbacks.

While retaining a crucial importance for the UK Ministry of Defence in areas such as airborne radar, laser targeting devices and underwater sonars, it has fallen victim to the tough competition being nurtured by the ministry and faces uncertainties in other projects where it has been counting on significant business.

Defence, ranging from pilots' night-vision goggles to components for mines, currently represents three-quarters of Ferranti's £1bn annual turnover, and the company relies on a flow of major UK orders to sustain its research and development. The cost of company-funded development soared 60 per cent to £58m in its last financial year.

Shipboard command and control systems for the Royal Navy are one area that had become virtually a Ferranti monopoly. All the Navy's current surface ships and submarines, barring some minesweepers, have Ferranti systems.

But in 1986 it lost an £85m contract for a new submarine system and this year a £150m contract for a new frigate system – having had its own initial project aborted. Both contracts were awarded to a consortium led by Dowty and the Anglo-French company Sema.



The RAF's latest British Aerospace/McDonnell Douglas Harrier GR5, now deploying in the field in West Germany. The inertial navigation system, mission video-recording system, moving map display, night-vision goggles and automatic test equipment all come from Ferranti.

Ferranti had hoped to use the UK frigate project as a platform for exports, but immediately afterwards Australia placed its frigate systems business with the Swedish Bofors group.

In this sector this leaves Ferranti relying principally on upgrading work on current systems.

In airborne radar, a big question-mark hangs over the deal which would keep Ferranti busy into the next century and enable it to concentrate resources on new research: the radar for the European Fighter Aircraft (EFA).

The contract – eventually worth more than £1bn – is due to be discussed in West Germany on Thursday by Mr Tom King, the defence secretary.

The UK appears to have softened its stance against Bonn's dogged defence of a West German-led alternative for the deal. The Ferranti-designed radar has been backed by the UK, Italy and Spain against a proposal from AEG of West Germany based on a US Hughes system. The AEG consortium includes GEC-Marconi, Ferranti's chief UK rival.

The UK recently agreed to reconsider whether the German proposal could be developed to meet the RAF's stringent requirements.

Ferranti's own problems have now cast further doubt over its prospects. A decision is already several months overdue. This, with its possible cost implications, has increased speculation that Bonn might pull the plug on the whole four-nation project.

Ferranti's expertise in radar goes back to the Second World War. In the late 1950s it produced the world's first high-power monopulse radar for the supersonic Lightning fighter. Its £180m Blue Vixen radar, conceived after the experience of the Falklands conflict to give much greater capability to the Navy's Sea Harriers, is due to go into production shortly. This is the radar from which Ferranti's EFA proposal has evolved.

Another new radar, Blue Kestrel, is under development for the Navy version of the Anglo-Italian EH101 helicopter, but that is another project beset by problems and uncertainties. Ferranti's current production work in radars is principally for exports of the well-tried Lynx helicopter.

Winning the EFA contract would enable Ferranti to concentrate resources on further radar research. Losing it would oblige it to fall back on short-term business to keep its workshops occupied.

Despite these substantial clouds on its horizon, Ferranti has some recent successes to its credit.

It won the bidding in July for the Sonar Type 2075, to be fitted in the Navy's latest Upholder class diesel patrol submarines, which are due to enter service in the 1990s – the first Ministry of Defence contract for a completely integrated system. This followed initial deliveries of Ferranti's surface-ship Sonar 2050, due to be fitted to all the Navy's new Type 23 frigates, and retro-fitted on its current Type 22 vessels and the more recent of its Type 42 destroyers.

In the last few years Ferranti has built up its capability in the "wet end" of sonar systems – the underwater sensors – to match the "dry end" of inboard processing and displays. By being able to provide complete sonar systems it constitutes the main competition in the UK for Plessey, now to be absorbed by GEC-Marconi.

Ferranti says that the only other companies in the market with this kind of capability are Krupp Atlas of West Germany, Raytheon of the US and Thomson-CSF of France.

In the avionics field, Ferranti has won contracts worth about £50m for the mid-life update of the RAF's Tornado GR1 ground-attack aircraft. This meant displacing Smiths Industries for supply of the aircraft's head-up display – for the projection of key data. This is a field in which Ferranti was a relative latecomer but has moved into the front rank.

Ferranti navigation equipment is in service throughout the RAF – including the latest Harrier GR5 and both the ground-attack and air-defence versions of the Tornado – and in the Fleet Air Arm. Here too, it is bidding in a team for the EFA contract.

The company also plays an important part in supplying advanced electro-optical equipment for targeting. A Ferranti-led joint venture with British Aerospace and GEC-Marconi was chosen last year – against strong US competition – to provide a Thermal Imaging Laser Designator "pod" for the Tornado. This enables the navigator to focus on a target.

One area that Ferranti has tried to build up since the 1987 merger with International Signal and Control is that of guided missiles, through its subsidiary Ferranti International Dynamics. This has shared its headquarters at Hanworth in Middlesex with ISC Technologies, the company at the centre of the contracts affair.

Ferranti set out to make itself into an alternative force in supplying weapons and subsystems following British Aerospace's takeover, also in 1987, of Royal Ordnance.

It is now hoping to hold onto a contract which ISC won with the United Arab Emirates, believed to involve a new family of air-to-ground weapons and to be worth several hundred million dollars. Production for this contract would be carried out in the UK.

Silence in the City as it watches the continuing uncertainty

By David Barchard

THE UNCERTAINTY surrounding Ferranti International Signal, the shares of which were suspended last week, showed no signs of clearing in the City yesterday.

All of the principal parties to Ferranti's merger with International Signal and Control in 1987, remained silent, waiting for a further announcement from the company itself.

Peat Marwick, one of the two accountancy houses which audited the accounts of ISC, yesterday said that it was not possible to comment at this stage. It said the two partners in the firm who had been most directly concerned with the merger were travelling and not available for comment.

Mr Lawrence Banks, deputy chairman of Robert Fleming, the City merchant bank which acted as adviser to ISC, was prepared to say more.

"We can only say that we did not initiate the merger discussions between Ferranti and ISC. But we would not have put our name to the merger if we had not thought that ISC was a sound company," he said.

However, Mr Banks added: "Until we are given further information about what has happened, there is no further comment that I can make."

Fleming acted as adviser to ISC from its stock market flotation in 1982, later handling the acquisition of Marquardt, a West Coast American rocket components company, as well as its first rights issue.

Mr Banks said that Fleming's links with ISC had faded after the merger and he had not been in contact with any of its principal figures in the last few weeks.

However Fleming remains one of the principal shareholders in Ferranti, with a stake of 25m or about 3.35 per cent of the group's total capital.

Meanwhile, asset managers in London were watching the Ferranti situation closely yesterday, but said that as yet there were no moves by investors to form a common group.

"The key question for us is what the financial consequences of all this will be for the company's trading position. Yet no one has any idea," said one fund manager.

However, several City analysts, while warning that the situation was still far from clear, agreed that a private sector bail-out for Ferranti was increasingly likely.

Mr David Gibbon, investment analyst at James Capel, said that Thomson-CSF, the French state-controlled electronics group, was one possible contender for an eventual takeover, but other possible buyers could include Ford Aerospace in the US or GKN in the UK.

"It all depends what the costs involved are and how much bailing out there is to do," he said.

A major force snatches disaster from the jaws of success

FERRANTI'S merger with International Signal and Control in 1987 was hailed as a natural marriage, even if its motivation for Ferranti was basically defensive, writes David Barchard.

Both companies were military electronics contractors, but seemed to overlap very little. With 59 per cent of the combined group, Ferranti's control of it was assured.

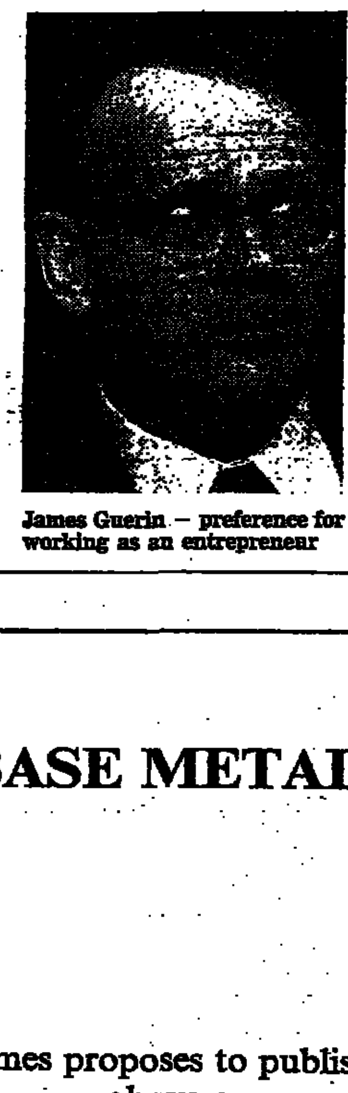
Before the merger, ISC had enjoyed a mixed reputation during its five years as an independently quoted company. The persistent refusal of Mr James Guerin, ISC's founder, to give any details of his customer base had led him to seek a stock market listing in London rather than New York for a company which had started life in his cellar.

ISC's shares rose rapidly during the years after 1982 but British investors were deterred by Mr Guerin's secrecy. Early in 1987, when ISC produced disappointing results, its share price tumbled by a quarter in less than an hour.

For Ferranti, somewhat demoralised by Government retrenchment, the merger cushioned it against its former dependency on the UK Ministry of Defence and possible future failure to win important contracts such as the European Fighter Aircraft radar contract the Type 23 frigate command and control system.

A new group thus came into being with a market value of £1bn. It was hailed as a major new force in global defence industries, with 26,000 employees in a dozen countries and an order book worth more than £1.5bn.

Though Sir Derek Alun-Jones continued as chairman of the merged group, Mr Guerin took over as his deputy. As a result of the merger, done on the basis of a nine-for-five share swap, Mr Guerin and his associate, Mr Clyde Ivy, became one of the largest individual shareholders in the new group.



James Guerin – preference for working as an entrepreneur

However the merger was quickly followed by the October 1987 stockmarket crash. Ferranti's first full year results after the merger produced an increase of just under £10m for the combined group, with ISC contributing £18m and Ferranti £51.2m.

Future hopes were increasingly pinned not on defence contracts but on the Zonephone, a cordless telephone, due to be put on the market in 1990 at a cost well below that of cellular telephones.

When Mr Guerin and Mr Ivy left Ferranti International Signal in May after 18 months with the merged group, their decision was said by Ferranti at the time to reflect Mr Guerin's preference for working as an entrepreneur in a small privately-owned company. Mr Guerin took with him two small companies in the group, ISC Technologies and a 60 per cent stake in Electronic Systems, a small Nigerian group.

At the time of his resignation this spring, Mr Guerin owned 31.8m shares in Ferranti International, about 4.26 per cent of its capital. But Mr Guerin disposed of his stake during July and August.

UK COMPANY NEWS

All-round growth behind Steetley's rise to £50m

By Andrew Taylor, Construction Correspondent

STEETLEY the UK building materials group, which has very strong market positions in France and Spain, increased pre-tax profits by 40 per cent to £50.98m in the six months to the end of June.

Steetley is the biggest producer of aggregates and hard rock in France. It also has 30 per cent of aggregates market and 25 per cent of the ready-mixed concrete market in Madrid, one of Spain's fastest growing construction markets.

The group's biggest market remains the UK which accounted for 69 per cent of operating profits in the first half. UK profits rose by 27 per cent to £36.57m. French profits increased by 28 per cent to £7.2m while profits from other Continental markets, mostly the Madrid aggregates and ready mixed concrete businesses, jumped from £628,000 to £3.2m.

Mr David Donne, chairman, said Britain, France and Spain, planned major increases in spending on road and rail construction during the next decade.

In May the Government announced plans to spend £12bn on motorway and trunk road improvements. France intended to build or upgrade 3,000 km of motorways and trunk roads by 1996. France also proposed to build 720km of high speed rail track by 1993.

Spain planned to build 2,400 km of motorways by 1999. There also plans to create 2,500 km of high speed rail track. Mr Donne said Steetley's aggregate, rock and concrete businesses would greatly benefit from increased European expenditure on infrastructure.

Group turnover rose by 29 per cent to £322m. Earnings per share rose by 20 per cent to 21.7p. The interim dividend islifted from 4p to 4.75p.

Mr Donne warned profits would grow more slowly in the second half of this year due to falling demand for bricks as a result of the slump in housebuilding in the UK and in the north east of the US.

● **COMMENT**

Steetley has been one of the more popular building materials stocks in recent months and rightly so. Only 20 per cent of worldwide profits is tied to UK housing while it has strong positions in the UK, France and Spain at the heavier end of building materials. These will all benefit from increased spending by the three countries on infrastucture. Much of this good news, however, is well known and is already reflected in the share price. Sales of bricks in the UK held up surprisingly well in the first half but cannot defy gravity for ever. US profits will also remain flat with the housing market in the north east of the US as miserable as that in south east England. Steetley offers some of the best prospects of any UK building materials group but may not be able to squeeze too much more at the moment from a share price which puts the group on a p/e of more than 9 on pre-tax profits of between £106m and £110m for the year.

Housing slowdown holds John Mowlem to £22.5m

By Andrew Taylor

A SHARP decline in housebuilding restricted pre-tax profits growth at John Mowlem, the construction, housebuilding and airport group, to just 7 per cent at £22.5m during the six months to end-June.

Sir Philip Beck, chairman, said housebuilding profits were £3m lower compared with the first half of 1988.

Mowlem also made a further £2.1m loss at the London City Airport. The company said the number of passengers was only about half the level needed to break even.

Profits from contracting and property sales more than compensated for the fall in housebuilding profits. Construction orders had risen by more than half to £1.2bn during the previous 12 months. Sir Philip, however, was cautious about contracting prospects.

He was concerned that future commercial and industrial developments might be curtailed if the economy suffered as a result of high interest rates.

Mowlem's order book, however, would comfortably carry the company through to well into the second half of next year. Sir Philip said sharply increased workloads had led to an improvement in contracting margins in the UK.

The rate of the growth in the scaffolding and site access services businesses had slowed due to falling demand from UK housebuilders. The performance of the comparable French business was encouraging, Sir Philip said.

● **COMMENT**

Mowlem builds houses mostly in south east England where the recession in the housing market has lasted longest. Sales in the first half are down by about 45 per cent which has made a dent in profits. Fortunately contracting is on the upswing while the other construction related businesses, scaffolding and equipment hire have also performed well, despite slower growth in scaffolding in the UK. In this respect Mowlem is not too much out of line with other construction companies which have contracting arms to offset lower housebuilding profits. Mowlem's case however is weakened by its investment in London City Airport which continues to make losses. The airport may eventually prove a worthwhile diversification but does little for the share price in the meantime. A p/e of more than 8 on prospective profits of £52m is justified by the yield but is unlikely to improve in the short term.

Evans Halshaw £8m dealer sale

By John Thornhill

Evans Halshaw, the Birmingham-based motor distributor, has sold its Ford car and truck dealership in Newport, South Wales, for £8.15m.

The disposal was made in order to comply with Ford's franchising policy which does not allow an operator to run adjacent dealerships.

Evans Halshaw will now have seven Ford dealerships but plans to increase this to eight by means of acquisition.

In 1988, The Newport dealership contributed pre-tax profits of £790,000. Evans Halshaw has received £6.65m cash for the sale of its trading assets and liabilities and an additional dividend of £1.5m.

The buyer is Mann Egerton, a motor distributor which does not currently operate any Ford dealerships.

Evans Halshaw was asked to dispose of the dealership after it acquired an adjacent Ford dealership in Bristol from UBM Motors last July.

Move into industrial property buoys BHH

By Paul Cheeseright, Property Correspondent

BHH GROUP, the Stoke-on-Trent-based company which has been expanding rapidly into industrial property, yesterday announced profits more than doubled for the half year to end-June.

Pre-tax profits were £5.91m, compared with £2.72m in the 1988 first half. The share price failed to respond, however, and finished just 1p higher on the day at 144p.

BHH, once known as Berkeley & Hay Hill Investments, pulled out of residential property late last year when its homes division was taken over in a management buy-out. But some of the land bank remained and it is sales of this and other land in the portfolio which helped trading turnover to rise from £17.4m to £27.6m.

But Mr David Fitzgerald, chairman, explained that next year trading income would decline to be replaced by a rise in rental income, which in the 1989 first half came to £6.05m.

This is partly because the average rent on BHH's 4.5m square feet of industrial property is £2.75 a sq ft and will rise substantially as reviews come through. But, also, last March BHH completed the purchase of a portfolio from Slough Estates and this is already providing a rising rental stream.

Earnings per share were 9.08p (5p). The interim dividend is lifted from 1.25p to 2p.

The group's development programme had a completed value of £200m, Mr Fitzgerald said.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Abingworth	fin	1.5	Nov 6	1.25	1.5	1.25
Automagic Hdgs §	fin	4.25	-	4.25	6.5	6.5
Berry Starquest	int	nil	-	2	-	4
BHH Group	int	2	-	1.25	-	4
Brit Mohair	int	1.4	Oct 27	1.4	-	8
Computer People	int	1.75	-	1.45	-	4.85
Creston	fin	1†	Nov 29	1.6	1.7	1.6
Dalgety	fin	10	-	6	16.5	15
EIS	int	2.75†	-	2.45	-	9.35
Fisher (James)	int	2	-	1.95	-	3.85
Green (Ernest) §	fin	4	Nov 27	3	6.25	4.75
Inchcape	int	4.5	Jan 2	2.75	-	9.25
M'chant M'tect §	int	1	-	1	-	3
Morgan Crucible	int	5.3	Jan 2	4.85	-	10.9
Mowlem (John)	int	5.65†	-	5.25	-	19.5
Serco	int	3	Oct 25	-	-	5
Steetley	int	4.75†	Nov 23	4	-	11.5
Utd Friendly §	int	12.25	Nov 9	9.6	-	31.25

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market.

Pearson expands book interests with £10m buy

By Maggie Urry

PEARSON, the publishing, investment banking and industrial group, which owns the Financial Times, yesterday announced two acquisitions for cash taking it into the bargain and remaindered books market in the US and UK.

Mr Peter Mayer, chief executive of Penguin, Pearson's book publishing subsidiary, said "hitherto we have lacked the capability of trading directly with this important market sector, access to which will add value to some of our existing and future copyrights."

In the US it is buying WH Smith Publishers, part of WH Smith, the retail and distribution group, for $14m (£8.9m).

In the UK it is paying £2.15m for Godfrey Cave, a private company with venture capital backing.

Mr Malcolm Field, group managing director of W H Smith, said its strategy was centred on retailing and distribution and the publishing interests did not fit in.

The US company publishes bargain books and buys and distributes remaindered books.

Godfrey Cave specialises in the sale of bargain-priced reprints and remainders to the book trade.

Pensions boost Utd Friendly

United Friendly Insurance, the USM-quoted underwriter, increased pre-tax profits from £8.24m to £10.11m in the six months to June 30.

Total premium income of £112.48m (£81.8m) was boosted by a first-time contribution of £29.79m from pensions business. General branch underwriting profits slipped to £1.93m(£2.26m) and life profits were again set at £3.38m, being 50 per cent of the 1988 total.

Earnings rose to 51.11p and the interim is lifted to 12.25p (9.6p).

Ernest Green ahead 40%

Ernest Green & Partners, the USM-quoted structural and civil engineering consultancy, raised pre-tax profits 40 per cent from £2.16m to £3.02m in the year to June 30. This was on turnover 56 per cent ahead from £8.16m to £12.7m.

Mr David Legg, chairman, said that earnings had increased – for the fourth year running – by more than 30 per cent. This time they rose 36 per cent to 25p (18.4p). The proposed final dividend is lifted from 3p to 4p for a total of 6.25p (4.75p) for the year.

DSC calls for £30m to fund US deal

By John Thornhill

DSC HOLDINGS, a small loss-making distributor of record styli and audio products, burst into activity yesterday by announcing a large reverse takeover in the US to be funded by a £30.5m rights issue.

The company, which has been regarded as a cash shell since clients of MIM fund management group built up a 23.2 per cent stake early in 1988, is to buy Mid-State Automotive Distributors for an initial payment of £24.2m. Further payments of up to £6.4m will be made over the next three years.

Mid-State, based in Nashville, Tennessee, is a wholesale automotive parts distributor carrying about 158,000 items of stock. It also runs a chain of 50 retail automotive parts stores.

In 1988, Mid-State made profits before tax and exceptional items of $7.3m on turnover of $54m.

DSC's shares were suspended at 81p at the end of August pending the announcement of this deal. At that time the company had a market value of £6.3m, just over one-fifth of the size of Mid-State.

It will finance the acquisition by raising £30.5m by way of a a 26-for-five rights issue at a price of 75p per share. MIM has agreed to take up its entitlement of 9.43m shares, while Smith New Court Corporate Finance will underwrite the remaining 31.26m shares. Merchant Navy Pension Funds, with a 17.2 per cent holding in DSC, has also agreed to take up its entitlements.

Lord Stevens and Mr Christopher Mills, two of DSC's directors, will each receive a payment of £150,000 as a fee for their work towards the acquisition. Neither, however, has received any other fees since joining DSC's board in March 1988.

DSC also announced it is to sell two of its original businesses, Pollards Jewellers Services and RAKS Distribution.

The future of its other two trading subsidiaries, Team (Audio) and Diamond Stylus, is also being reviewed as the directors have said they do not expect them to make a significant contribution to the enlarged group's results.

Because of difficulties with listing requirements (relating to problems of recording Mid-State's stock flows over the past five years), DSC will be admitted to the Third Market on its relisting. It will change its name to Mid-States.

Shareholders' approval for these developments will be sought at an extraordinary meeting on October 4.

UK COMPANY NEWS

Waiting for a change of balance

Nikki Tait analyses the strengths of both sides in the Tilbury/Lilley battle

IF THERE is one point on which everyone agrees in the long-running £137m bid battle between Lilley and its fellow construction company Tilbury Group, it is that the outcome will be close.

The market, after all, is effectively saying so. As the bid heads for its close tomorrow – but with a possible final extension to Friday – Tilbury's share price closed at 643p, just 28¼p below the value of the Lilley paper offer and 7p short of the 650p cash terms (excluding the early payment of the 10p a share interim dividend).

One of the reasons for this equivocation is that neither company has really won the industrial argument. For once, the target company is not an ailing group, down on its luck.

Even Lilley's chief executive, Mr Bob Rankin, concedes that he has little criticism of his target's record – beyond what he contends is the "narrowness" of Tilbury's focus. And, as rather more concrete proof of his esteem, the Lilley chief says he would hope to offer two of the four divisional management jobs to Tilbury men if he wins the day.

Nor are vast immediate savings being sung as one of the deal's virtues. Lilley estimates that little more than £1m of head office costs could be squeezed out as a result of the merger.

Instead, the bidder is resting its case on the more subtle point that Tilbury now has the wrong balance of business to gain the most advantageous position in the current, and impending, construction market.

It argues that, with property and housing accounting for almost 70 per cent of Tilbury's operating profits in the current year, that is an unhelpful weighting towards two areas of the construction market which have peaked. It suggests that by adding in its own (admittedly smaller) bulk, the combined group would have greater resources – and that this would then give added muscle in terms of tendering on the contracting side.

And Lilley maintains that some £30m could be found from asset disposals within Tilbury's property interests – notably the Linwood site outside Glasgow and the £8m to £9m portfolio of tenanted East London housing – which could be better deployed in expanding the specialist construction services.

The aim, says Mr Rankin, is to have "balanced" construction business, with equal weighting in general contracting, specialist services, and housing/property. On projected 1990 figures, he estimates a 17-27-56 per cent breakdown – suggesting some reshuffling would, indeed, be necessary.

Many of these arguments have been usefully employed in Lilley's criticism of the Tilbury profit forecast. During the battle, the defending group forecast at least £27m in calendar 1989 – a heady increase on the previous £14.7m and well above previous market forecasts – with earnings up from 48.9p to 90.4p.

Lilley yesterday claimed control of 44.73 per cent of Tilbury. The figure includes valid acceptances accounting for 21.33 per cent of Tilbury's equity, as of 5pm yesterday evening. It also takes in a further 23,966 shares in the target company which were purchased yesterday on Lilley's behalf by Salomon Brothers, its advisers, plus a further 1.08m shares bought by Salomon on its own account. Valid cover for these latest share purchases has yet to be received.

Yesterday, the Tilbury share price eased 1p to 643p, having risen to 651p at one stage, while Lilley shares were unchanged at 68p. Announcement of the latest level of control came after the market closed.

While the construction side is expected to turn in a rise of 35 per cent, to £7.7m, property (including housebuilding) surges ahead to £17.1m (£7.8m), helped by the booking of an initial £5m profit on Linwood.

Lilley has not been slow to seize its opportunity. It has consistently described the figure as "inflated," aided by "a number of one-off asset disposals", and in one of the numerous circulars, suggested that the dependency on property and housing could mean that Tilbury's future profits "may actually fall."

Tilbury's response is fairly simple. Not unnaturally, it points out that its recent strategy has produced four years of extremely commendable earnings growth, following the small profits dip in 1985. This, it maintains, has been achieved by a fair degree of repositioning – a dozen acquisitions and disposals with a total worth of over £80m – and there is no reason why such "flexibility" should not continue.

It denies that Linwood profits will be unduly bumpy, talking of a "reasonably even flow" in future years. It argues that, on the contracting side, there is plenty of scope for picking up smaller-scale work – for example, for water industry clients. Not least, it claims that its exposure to the relatively healthy Scottish housing market, accounting for three-quarters of group sales, has insulated it from the depressed conditions further south.

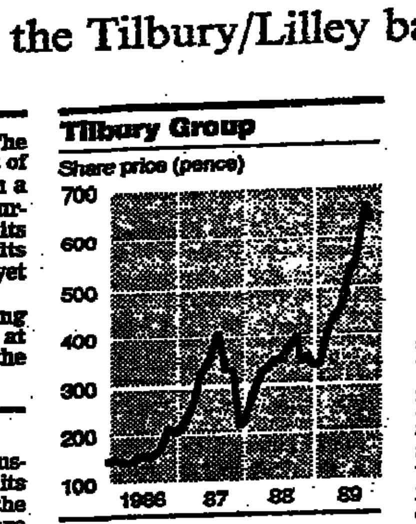
Looked at more objectively, there is a certain sympathy among analysts for the broad contention that infrastructure projects and general contracting work will be the most stable element in the overall construction market. And despite the current resilience of the Scottish housing market, there are certainly fears that the ills of south-east England still have further to spread.

But on the critical matter of how vulnerable Tilbury might be on its own, there are (with relatively few independent analysts covering both companies) two schools of thought – and a good deal rides on one's view of Linwood. The pro-Lilley camp suggests that the housing element should be at least be viewed warily, while pointing to the Richard Ellis valuation (done for the bidder) which puts an after-tax figure of £15.6m on Linwood.

By contrast, the pro-Tilbury lobby suggests that profits flowing from Linwood could amount to over £30m over a five-year period; that the housing side should at least hold its ground; while prospects for the contracting businesses are attractive. Warburg Securities, with no corporate allegiance to either side, suggests that 1990 profits could amount to £32.2m, with Linwood chipping in another £5m. That might leave earnings per share of 104.8p.

This debate inevitably spills on to any consideration of the price offered. As Tilbury is quick to point out, the exit multiple of seven times forecast 1989 earnings looks mean – offering no premium for control. Lilley's preferred arithmetic is to say it is paying a 10 times multiple for the contracting side, and then to add in a £52m valuation for the property assets with a further £22m for the housing interests. To suggestions, that housing is more usually valued on a earnings basis, Lilley retorts that the price-tag would not be significantly different.

Tilbury Group
Share price (pence)



Perhaps the other consideration is where the shares will end up if Tilbury does fail. Lilley has forecast a total dividend of 32p a share, almost doubled on the previous year.

Moreover, it talks of a dividend cover policy of two to three times, and points out that on forecast figures, the 1989 cover would be very much at the upper end of this range. In short, then, dividend yield should provide a fair degree of prop to the price. Conversely, there is the uncomfortable precedent of Tilbury's share price fall when an earlier rumoured bidder, Raine Industries, sold out in mid-1987 – although shareholders who bided their time then have done rather nicely on a medium-term view.

The other question of what Lilley would do if it loses. It seems set, after all, to end up with over one-fifth of Tilbury's shares, and this would also have some bearing on the subsequent market price. On this score, most analysts suspect that the group would wish to find another deal relatively quickly and would probably sell, although the noises from the Lilley camp are rather more determined.

And yesterday's new level of control was certainly giving Lilley encouragement that matters could be resolved in its favour this time round. That said, there are still a handful of chunky, uncommitted institutional holdings which could swing matters either way, and as well as a potentially important body of stakes held by small institutions and private investors. With this in mind, few analysts were choosing to call the result – and only the slightest edge, perhaps, was being given to a Lilley victory.

UK COMPANY NEWS

Inchcape up 26% despite slowdown in Hong Kong

By Andrew Bolger

INCHCAPE, the international services and marketing group, yesterday shrugged off the gloom over trading prospects in Hong Kong and China to announce a 26 per cent increase to £86.8m in pre-tax profits for the six months to June 30.

Mr George Turnbull, chairman and chief executive, said: "The strength of out business streams coupled with our geographical spread has enabled us to maintain growth in most areas. Our performance in south-east Asia, particularly Singapore and Thailand, has been most encouraging, showing an increase in profits of 61 per cent. We have also achieved strong profits growth in Europe."

Following the Tiananen Square massacre in Peking, there had been a slowdown in economic activity in Hong Kong, which generates about 15 per cent of Inchcape's profits. However, Mr Turnbull said there had been recent signs of a return of business confidence and he was bullish about the long-term outlook for China.

Car dealerships, spare parts and vehicle-hire account for more than half Inchcape's profits. It said strong results in Belgium, Greece and Singapore had helped offset flat results from the much more competitive UK new car market, where Inchcape distributes Toyotas.

Insurance services increased profits over last year's first half by 40 per cent, in spite of the continuing weakness in the insurance market. A shift in emphasis to "tramp" vessels helped shipping services to lift profits by 58 per cent, with particularly strong growth in the Far East.

Mr Turnbull said inspection and testing continued to be an area with great potential for long-term growth, but had been hit by the recent disruption to North Sea oil activity. The division's contribution to profits – which was more than halved – also reflected the cancellation of a large contract, under which Inchcape had monitored import-export currency regulations for the Venezuelan Government.

Earnings per share were 13.7p, a 22 per cent cent increase. An interim dividend of 4.5p was declared, 64 per cent higher than last time.

The company stressed that a major element of the increase was to reduce the difference in size between the interim and final dividends, and should therefore not be taken as indicating the likely level of increase for the year.

See Lex

Bass raises £45m from sale of hotels

By Lisa Wood

BASS, the brewing and hotel group, is selling its 11 Spanish holiday hotels for £45m to a company led by Control Securities, the property and leisure company.

The hotels, acquired by Bass when it bought Coral Racing and in its short-lived acquisition of Horizon, the travel group, last year made a trading profit of £4.8m.

Control, which has entered into a joint partnership for the deal with Dr Gaith Pharaon, a Saudi businessman, already owns one hotel in Spain. With the latest acquisition its portfolio of hotels will increase to 23.

Bass, which last month announced it was paying nearly $2bn (£1.3bn) to acquire Holiday Inns in the US, said it was selling the hotels because it wanted to concentrate its hotel resources on its Holiday Inns, Crest and Toby Hotels.

Mr Nazmu Virani, Control chairman, said the purchase of the hotels was a continuation of the group's thrust into the asset-backed leisure world.

Mr Virani said he considered the deal an excellent one, at £13,000 per bedroom, particularly considering its positive impact on the group's earnings.

He said the hotels were either three or four star and were not affected by the current disaffection by some tour operators with hotels at the bottom end of the Spanish hotel market.

Bass is initially receiving £10m with the balance payable over the next three years.

Tern plunges into £2.92m loss as house sales slow

By Ivor Duce

THE LATEST victim of the downturn in residential housing building and sales is Tern, the USM-quoted construction, development and property service group.

Tern has suffered a sharp setback with a pre-tax loss of £2.92m for the six months to June 30 replacing a profit of £329,000 for the corresponding period of the previous year.

Equity and Law Life came to the rescue by completing an agreement with Tern – worth up to £8.85m – and acquiring 50 per cent of Tern Property Services and 10 per cent of Tern itself, the latter through the subscription for ordinary shares at 25p each. The assurance company has the right to lift this holding to 29.9 per cent between July 1992 and June 1996 by conversion of its holding in the real estate subsidiary into ordinary shares of the parent.

James Butterfield, Tern's chairman, said the board looked forward to an improvement in the second half. The directors are looking for better than break even across the board.

Greater efficiences were being looked for in the estate agency business, he said, which could include cutting back on staff and the quality of some of the side benefits, while on the construction side Tern's southern operations are back in the black with problem contracts resolved

In addition, the group's share of profit from the anticipated sale of the warehousing development at West Thurrock should realise some £750,000.

The company said that the deal with Equity and Law Life would help to insulate the rest of the group should there be any further short-term problems in the estate agency business and would allow it to concentrate on further expansion

There was a loss of 5.57p (earnings of 0.6p) basic and a loss of 5.3 (earnings of 0.58p) fully diluted per 20p share.

Computer People

Computer People reported pre-tax profits up nearly 28 per cent from £1.42m to £1.81m in the six months to end-June 1989. The result was achieved on turnover increased to £32.4m (£20.7m). The interim dividend is raised to 1.75p (1.45p).

Little change at Automagic

Taxable profits at Automagic Holdings were fractionally down in the year to April 24. This USM-quoted company, with interests in shoe repairs, key cutting services and associated retail goods, made £642,000, against £644,000.

Turnover increased to £11.09m (£10.48m) and the profit on ordinary activities was £330,000 (£441,000). There was an exceptional credit, relating to profits on the sale of properties, of £322,000 (£203,000).

Earnings were 8p (7.7p) and the recommended same-again final dividend of 4.35p makes an unchanged 6.5p total.

Chairman's statement

Hartebeestfontein Gold Mining Co Limited

(Incorporated in the Republic of South Africa)
An Anglovaal Group Company
Reg. No. 05/03958/06

Earnings increased and dividend raised – Mr Basil E. Hersov

Although the average rand gold price received during the year rose by nine per cent, profit before taxation at R588 million was R19 million lower than that achieved in 1988. This was largely attributable to lower gold production from underground sources, higher operating costs and losses from sales of uranium oxide. However, taxation and State's share of profit, which is calculated on the new formula introduced during the year, was reduced by R48 million to R324 million. Capital expenditure and loan repayments increased to R62 million (1988 – R58 million). Accordingly, after-tax profit rose by 12 per cent from R235 million to R264 million. Earnings, which were enhanced by approximately 12 per cent as a result of hedging transactions, amounted to R202 million, equivalent to 180,3 cents per share (1988 – R177 million, equivalent to 158,2 cents per share). Dividends totalled 180 cents per share (1988 – 153 cents per share).

Gold production from underground sources decreased from 30 778 kilograms in 1988 to 29 215 kilograms in 1989 as a result of the lower recovery grade of 9,3 grams per ton (1988 – 9,6 grams per ton). This reflects the progressive increase in the proportion of ore being drawn from the lower-grade western portion of the lease area. The expectation is that the recovery grade will decline further to about 9,1 grams per ton for the current year. Unit costs rose by 21,6 per cent (1988 – 17,9 per cent) due to general cost escalation, additional tunnel support, an increase in vamping operations and a marginal increase in development metres advanced.

The low-grade gold recovery plant operated at satisfactory levels and 1 550 000 tons (7 months 1988 – 865 400 tons) were treated at a recovery grade of 1,56 grams per ton (1988 – 1,39 grams per ton) with a total of 2 417 kilograms of gold being recovered (1988 – 1 206 kilograms). It is expected that the level of gold production will be slightly lower during the current year.

A loss of R4,9 million from the production of uranium oxide, sulphuric acid and pyrite was incurred, mainly because of low sales prices received for uranium oxide. As previously reported, this was not entirely unexpected. Despite satisfactory sales levels, annual profits from uranium sales will at best be nominal over the next few years. Nevertheless, uranium production will be continued in that the Company's treatment plant operates on a "reverse leach" process for uranium extraction prior to gold recovery whereby the latter is significantly enhanced. The financial benefit under present conditions is approximately R16 million annually before tax, which is greater than the loss recorded on the sales of uranium oxide.

Capital expenditure for the year totalled R60,5 million (1988 – R57,3 million) and was incurred mainly on completion of the low-grade plant, the ongoing recommissioning of No 8 shaft, upgrading of employee accommodation, the construction of a mine training centre, surface and underground equipment, and computer hardware.

As reported last year, No 8 shaft, which was closed down several years ago to assist in containing costs by the concentration of mining in other areas, is to be re-opened to enable the timeous exploration and exploitation of the Vaal Reef in the south-western portion of the mine. The first phase of re-commissioning the shaft was completed during the year and limited stoping and development operations have commenced.

Capital expenditure for the current year is planned at R41 million and includes surface and underground equipment, further improvements to employee accommodation, the completion of the mine training centre and further work on the recommissioning of No 8 shaft.

Development for the current year is planned at higher levels than those achieved in 1988. This, together with general cost escalations and the additional expenditure associated with operating No 8 shaft, will have an adverse impact on operating costs. Earnings and hence dividends – which will be affected by lower gold recoveries from underground ore sources and nominal uranium losses – will be determined principally by the gold price in rand terms.

Basil E. Hersov D.M.S.
Chairman *8 September 1989*

The annual general meeting of members will be held at Anglovaal House, 56 Main Street, Johannesburg, at 09:45 on Wednesday, 11 October 1989.

UK COMPANY NEWS

Morgan Crucible ahead 26% as margins improve

By John Thornhill

ACQUISITIONS AND currency gains helped Morgan Crucible, the industrial materials and electronics company, lift pre-tax profits by 26 per cent from £18.7m to £23.5m in the six months to July 2.

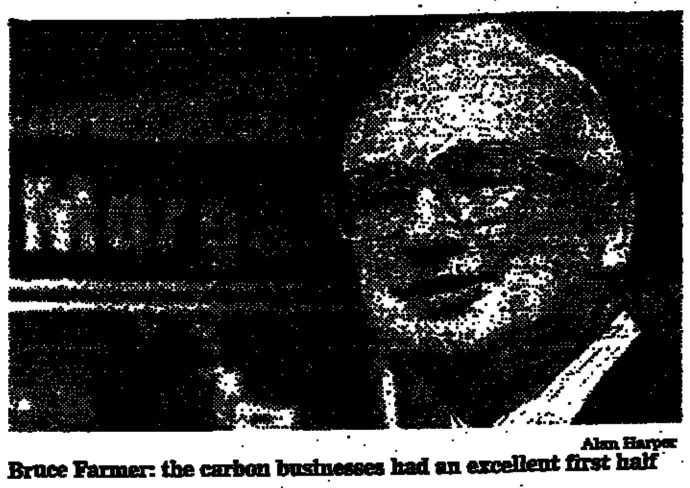
The company, which recorded 80 per cent of its sales overseas, said trading conditions had been good in most world markets, although there had been some softening in the UK white goods and consumer durables markets.

Profit margins increased in all divisions, except speciality chemicals which was affected by the mild winter and produced lower than expected profits in the car care sector.

During the half year, Morgan bought the carbon products operations from General Electric of the US. Acquisitions accounted for about £900,000 of the pre-tax profits gain, and currency translations produced £800,000.

Dr Bruce Farmer, managing director, said Morgan's carbon businesses had an excellent first half in strong markets, while technical ceramics had performed particularly strongly in the UK, Spain, and Australia.

New products and the integration of acquisitions helped the thermal ceramics division, and rationalisation brought improved results to the electronics businesses, he said.



Alan Harper

Bruce Farmer: the carbon businesses had an excellent first half

Operating profits by division were: carbon – £8m (£5.5m); technical ceramics – £4.5m (£4m); thermal ceramics – £9.8m (£6.6m); speciality chemicals – £6.6m (£6.3m) and electronics – £800,000 (£100,000).

The interim dividend is increased from 4.85p to 5.3p. Earnings per share advanced from 10.8p to 12.2p.

● COMMENT

Morgan's technical expertise is unquestioned; about a quarter of the group's managing directors boast PhDs. But in recent years, Morgan has begun to persuade the doubters that it is no slouch either when it comes to financial performance, and sets itself a target of doubling profits every three years. This sudden spurt of speed may surprise some who are used to more stately progress from the venerable old company, and this lag in perceptions has probably resulted in the rather lacklustre rating it has traditionally traded on. But doubts too about the quality of earnings in view of several paper-funded acquisitions have dogged Morgan, and firmer evidence of sustained financial performance may be needed before Morgan's rating climbs much higher. Pre-tax profits for the year may rise to £55m giving a prospective multiple of 11. That below average rating seems unjustified for a company which on financial fundamentals is above average, but it may be some time yet before the market concurs.

Acquisitions boost EIS 19% to £5.5m

By John Ridding

A SERIES of acquisitions lifted taxable profits of EIS Group, the specialist engineering company, to £5.48m for the six months to June 30, an increase of 19 per cent over the comparable period.

Mr Peter Haslehurst, chief executive, said the order book was a third higher than a year ago, with improvement spread across all divisions. There was also a greater emphasis on long-term orders, with some contracts stretching eight years ahead.

Turnover, with acquisitions accounting for over 50 per cent, increased from £50.32m to £76.19m. Earnings per share rose to 13.38p (11.89p) and there is an interim dividend of 2.75p (2.45p).

EIS does not give a divisional breakdown at the interim stage, but all four operating areas were said to be ahead of last year.

Vacuum and filtration businesses saw a strong performance in the first half from the recently acquired overseas companies.

These were Stokes Vacuum, the US supplier of high vacuum pumps and systems which EIS bought last September, and Hibon international, the French manufacturer of vacuum equipment which was bought in the following month.

The aircraft and precision engineering division has been reorganised with the business of Premier Precision transferred to other group companies and the disposal of its Bracknell site. Proceeds on the disposal, which amounted to £4.12m represented the group's first extraordinary item in 18 years.

The Flexibox division, which makes seals and couplings for the oil industry, saw an improved result. In July, EIS bought the 50 per cent of Flexibox's Spanish operation which it did not already own.

● COMMENT

The shape of the group may have changed and interest rates may have risen but EIS's story of steady growth remains very much the same. This is partly because over 50 per cent of sales are overseas and that there is no direct exposure to the slowing consumer market. But more important is the group's presence in strong markets, such as airliner galleys, and its ability to squeeze benefits from acquisitions, such as Stokes. The series of acquisitions over the last year has distorted margins, the decline of which reflects only the consolidation of companies in which a 50 per cent stake was held and a full contribution from the lower margin Stokes business. Following the £12.5m rights issue earlier this year EIS has the resources for further purchases. Even without these, pre-tax profits should reach £12.2m for the current year. This puts the shares on a prospective multiple of about 12, a justified premium to the average specialist engineer.

Greyfriars joins main market in £6.7m placing

By Vanessa Houlder

GREYFRIARS Investment Company, involved in providing development capital, is joining the main market in a placing that will raise about £6.68m.

A low coupon 10 year loan note will raise a further £3m.

Guidehouse Securities is placing the ordinary shares at 100p.

Dealings start on September 21.

The company, which will have a planned life of 10 years, will be structured in such a way that will make it exempt from tax on capital gains in the UK.

The ordinary shares are intended to offer a high income together with a medium term capital gain.

Greyfriars will invest in unquoted and quoted companies which require further development capital, which may include buy-ins, buy-outs, refinancings and special placings.

Management control will not be taken.

Jupiter Tarbutt Merlin will be the investment managers.

Nigel Wray family trusts take 17.6% Southwest stake

By Vanessa Houlder

FAMILY TRUSTS of Mr Nigel Wray, the financier, have taken a 17.6 per cent stake in Southwest Resources, a USM-quoted oil and gas company.

This deal was part of a disposal by Dominion International Group, the financial services, property and natural resources company, of a 29.6 per cent holding in Southwest.

A total of 47.5m shares were bought by family trusts of Mr Wray, who is chairman of Chartsearch, the tipsheet group and deputy chairman of Singer & Friedlander, the merchant bank.

A further 14m shares have been bought by Mr Clive Mattock, a director of UTC Securities, the financial services group and a long-standing business associate of Mr Wray.

The remainder of the shares have been bought by institutional clients of UTC Securities.

The sale follows management changes in August when Mr Max Lewinsohn resigned as deputy chairman of Dominion and chairman of Southwest.

UTC, which was appointed broker to Southwest Resources earlier this year, was asked to find a buyer for part of the Dominion holding.

Mr Mattock, who is joining the board of Southwest Resources, said that he expected to help in the search for acquisitions in the UK in property and related areas.

Scholes may pay up to £12m for BICC companies

SCHOLES GROUP, the electrical products manufacturer, has reached an advanced stage of negotiation over the purchase of three companies from BICC, the cables and construction group.

The Preston-based companies – Dorman Smith Switchgear, Dorman Smith Engineering Systems and BICC Britmac – comprise BICC's industrial switchgear and cable accessories businesses.

A maximum of £12m is expected to be paid for the companies which are returning marginal profits.

The purchase of the companies would give a boost to Scholes' turnover, which totalled £47.98m in the year to June 30. It would also push the company more into the industrial switchgear market and reduce reliance on the domestic housing area which is showing signs of contraction.

Refuge lifts shareholders ordinary branch surplus

By Eric Short

REFUGE ASSURANCE, the main life company operating subsidiary of Refuge Group, intends to increase shareholders' proportion of surplus from its ordinary branch fund from 8.5 per cent to 9.5 per cent – the same proportion as paid to shareholders from the Industrial branch fund.

The maximum proportion of with-profit life funds available to shareholders, under UK insurance legislation is 10 per cent.

Mr Tom Booth, chairman, stated that the intention was to leave a margin to provide flexibility in determining the profit distribution between with-profit policy holders and shareholders.

The legislation allows life companies to vary the proportions each year up to 0.5 percentage points without obtaining prior permission from the Department of Trade and Industry.

Thus Refuge can pay out 10 per cent to shareholders if the board so wishes.

The group has lifted its interim dividend from 6.5p to 7.25p.

Lopex expands

Lopex, the advertising and communications group, is further expanding its European network by taking a 29 per cent stake in Muller & Partner Alliance Werbeagentur, a new Swiss agency, for £50,000.

East Surrey Water plans conversion to plc status

By John Thornhill

EAST SURREY Water Company will become the first statutory water company to take advantage of the 1989 Water Act and convert to public limited company status.

The company will also reorganise its complicated capital structure, leaving it better placed to operate within the changing environment of the water industry, it claimed.

East Surrey will ask stockholders to approve these changes at an extraordinary general meeting to be held in three weeks' time.

If approval is forthcoming, East Surrey will then submit the restructuring proposals to the Environment Secretary for his scrutiny.

The whole process may be completed by early December.

At the EGM, approval will also be sought to appoint Mr Duncan Saville to the board as a non-executive director.

Mr Saville, an Australian-based investor, who has significant holdings in several other water companies, controls about 28.5 per cent of East Surrey's voting stock through his investment vehicle, Associated Insurance Pension Fund.

East Surrey also said it had completed the sale of its Purley site for a net £14m.

This money will be used to finance capital expenditure and redeem some of the company's preference stock.

MANAGEMENT: The Growing Business

Demographic trends

Anticipating an acute staff shortage

Charles Batchelor explains why action must be taken now

Alan Harper

David Ogden: "We used to think everyone wanted to come and work for us"

Shephard Hill, a privately-owned civil engineering group with 650 employees, has been experiencing increasing difficulty in recruiting enough engineers and technicians to keep up with the flow of work.

The company, based in Uxbridge, West London, takes on between four and six graduate engineers a year but also has to recruit staff at short notice if it wins a tender for a big job. The growing problems in finding the right people have forced Shephard Hill to take a hard look at the way it recruits new staff and holds on to its existing workforce.

"We used to think everyone wanted to come and work for us," says David Ogden, deputy managing director. "But we realised we were being too laid-back. We are having to get our act together rather than just rely on people coming to us." Shephard Hill has been reviewing the level of salaries, has become more generous in allocating cars to engineers on remote sites and has produced a brochure aimed especially at undergraduates.

The company, which has turnover of £40m, is one of a growing number of small and medium-sized businesses which have been taking a serious look at the way they meet their staff needs. There is much talk of the demographic time-bomb which is set to create an acute shortage of school-leavers and graduates in the 1990s; but businesses in some sectors and in some parts of the UK are already facing potentially crippling shortages of new recruits.

This is forcing managers who in the past have tended to dismiss personnel policies as a luxury only to be afforded by large organisations to adopt some of the techniques themselves.

A point made by the personnel specialists is that retaining existing staff is as important, if not more important, than recruiting them in the first place. "The easiest way to recruit people is not to lose them," comments Harry Kleeman, chairman of the CBI's small business council and the owner of a group of four plastics companies employing a total of 200 people.

But while some of Britain's smaller companies are starting to take action to ensure an adequate workforce into the 1990s many are not. James Curran, director of the small business research unit at Kingston Polytechnic, is gloomy about the small firms sector's ability to respond to the challenge.

Many small businesses lack specialist personnel skills and respond to employee shortages with "fire-fighting techniques" rather than with carefully thought-out policies, he warns.

Those alert companies which are doing something about their personnel needs are busy in several areas. Most start with:

● Recruitment. More small firms are trying to make sure they get this right. Pulse Train, a computer software company based in Guildford, Surrey, runs annual selection days involving aptitude tests, discussions and an introduction to the company. Pulse Train needs between two and four graduates a year for its customer support, training and consultancy operations. The company, which employs 40 people and has sales of £2.25m, has found it increasingly difficult to find the right recruits.

"It is important to get people who are not going to be boffins but who can tell people about our products," says Tim Macer, training director. Macer devised the selection days jointly with Mantra, a London consultancy specialising in human resource issues.

Companies are also recruiting from a wider range of applicants than they would have considered in the past. The Kleeman Plastics Group recently promoted a 40-year old to the job of book-keeper whereas previously it would have thought only of recruiting an 18 to 21-year old to this sort of post, says Harry Kleeman.

Women who have given up jobs to have a family are increasingly seen as an attractive source of recruitment and many companies attempt to keep track of former employees.

To make an early mark with potential recruits companies are establishing closer links with schools and universities. Pulse Train will shortly be taking a fifth-former from a local school for one week's job experience. Cameron Markby Hewitt, a medium-sized City law firm, takes in students for three to four weeks to allow them to work on projects of genuine value to the firm.

● More formal structures. One of the problems which smaller businesses face in attracting recruits is a lack of a formal career structure. Some are responding by introducing more formal arrangements for career appraisal and promotion.

Pulse Train has instigated monthly appraisals for its new recruits after they join the company because it believes that three months in a new job is a long time to wait. After three months it goes over to six-monthly appraisals.

Companies must devise career paths for their less brilliant employees and not just for the high flyers, says Jane Molloy who runs Independent Personnel Management, a Teddington, Middlesex-based consultancy, and who advised Shephard Hill. "Don't just tell these people to find another job," she suggests. "They may not make managers but they can be good technicians and should be rewarded appropriately."

● Salaries. Salary levels must at least be on a level with local competition to attract and retain staff, but the importance of money should not be exaggerated. "Money is a major motivator of only 5 per cent of employees and they are the people who are likely to move on anyway," says Mantra's Nicola Phillips.

"It is a good policy to pay slightly more than the competition," suggests Jane Molloy. "You don't have to pay a lot more and you save money because you retain people."

To hold on to senior managers more companies, small as well as large, are introducing share option schemes. Valuing shares in a private company is more time-consuming than for a publicly-quoted group but, unlike cash bonuses, share schemes give managers a long-term interest.

● Training. Smaller companies have, in general, a poor record of training employees but the more forward-looking businesses are now putting a lot of effort into improving the skills of their workforce.

Cameron Markby Hewitt, which employs 480 people, has introduced a far-reaching training programme over the past two years. This ranges from seminars on subjects such as European law for its legal staff, through management training for senior partners, to workshops for secretaries to help them with legal terminology.

"It is important to realise that expenditure on staff in an organisation like ours is the same as the capital spending carried out by a manufacturing company," says Roy Lecky-Thompson, personnel director. It is difficult to assess the impact training has on profitability, he adds, but the impact on staff turnover has been "far better than we ever dreamt."

● Environment. In the fields of recruitment, salaries and training there is nothing which the smaller firm can do which cannot be matched by the larger company. Unique to the small firm, however, is the informality and companionship which can come from being an individual in a small group.

In the past small firms have been poor at selling this advantage though this is changing. Some are making a deliberate effort to make themselves more pleasant places to work in to overcome.

Kleeman Plastics no longer requires its shop floor workers to clock on at its Dorking, Surrey, factory. At its two Midlands factories, where skilled employees are easier to find, the clocks remain, though.

The company's efforts to attract and retain employees include regular meetings in the canteen to keep staff informed of the latest developments and a sports club. Its sixtieth anniversary was recently celebrated with what Harry Kleeman calls 'a bit of a binge' on HMS Belfast on the River Thames. Kleeman speaks for the managements of many smaller businesses when he says: "We are trying to think of anything which will make our people stay rather than wander off elsewhere."

Catch your time thieves

Charles Batchelor on a conscious effort to manage tasks

Are you overworked, stressed because you are trying to do several things at once and responding to events rather than dictating their course? Are you able to get down to jobs only after normal business hours because of distractions at work and do you face a constant conflict between work and leisure?

Many businesspeople would answer "yes" to many if not all these questions. A solution, suggests Lothar Seiwert in a new guide*, is by making a conscious, continuous and consistent effort to manage time.

Seiwert, director of the Institute of Time Management in Tannusstein, West Germany, urges his readers to "catch their time thieves" by first identifying what they are – the telephone interruptions, the visitors, the meetings, the failure to delegate, the inability to say "no".

Managers should, at an early stage, set down objectives in both personal and business spheres, Seiwert advises. By defining goals you stimulate action and establish a measure for evaluating your performance.

From here you can move to the practical planning stage. A few minutes planning every day can save an hour's work, Seiwert suggests. This means objectives can be reached more quickly; that the time you save can be devoted to really important tasks; and that by establishing a predictable daily routine you can reduce stress.

The most important planning rule is to put things in writing. Schedules which consist of only a mental note are harder to control. Written plans reduce the amount to be memorised and mean fewer distractions.

By checking daily results managers can keep track of tasks which have not been completed and transfer them to another day. By establishing better estimates of time needs you can allow a more realistic "buffer" to take account of unforeseen events.

Begin by planning on a daily basis. Your daily work routine must be under control before you can develop plans for longer periods. A realistic daily schedule should contain only what you want, or have, to take care of in that day and what you are able to handle. The more you set yourself attainable goals the more you will put yourself out to reach them.

Seiwert suggests a five point check-list to plan your day:

● List your tasks, including unfinished work from the day before. Take account of deadlines which have to be met and routine jobs such as phone calls and letters.

● Estimate how much time each job will take. If you have allotted yourself a limited amount of time you will be more determined to prevent interruptions.

● Allow buffer time for unscheduled tasks. Experience shows that only 60 per cent of the day can be spent on *planned activities with the rest* split equally between unplanned activities and "spontaneous and social activities."

● Decide priorities, be selective and delegate.

● Scan your scheduled tasks at the end of the day. Jobs which are repeatedly postponed may require a special effort to tackle or may be cancelled because they have taken care of themselves.

Seiwert has produced a practical handbook full of the examples and checklists needed to bring a potentially woolly subject into sharper focus. He lets his readers down only in the chapter on setting personal and business objectives – more guidance is called for on the most theoretical aspect of time management.

**Managing Your Time. Kogan Page Business Action Guides. 80 pages. £6.99.*

In brief...

■ A series of books and radio cassettes on subjects such as mergers and acquisitions, corporate tax planning and marketing is being published during 1989 under the CBI Initiative 1992.

The books and cassettes, both priced at £12.95 each, are available from bookshops or from Mercury Books, W.H. Allen & Co, Sekforde House, 175-179 St John Street, London EC1V 4LL.

■ Business in the Community, the umbrella organisation for Britain's 300 local enterprise agencies, is to promote closer links between innovators and companies. BiC has recently become the administrator of The Prince of Wales' Awards for Innovation and Production.

Innovators and small firms with good ideas often do not know where to go for advice and help on matters such as patents, licencing and distribution. One solution proposed by BiC is for selected enterprise agencies to form a regional network of referral points for entries to the awards scheme, arranging introductions to sources of help.

Contact David Grayson, Director of Enterprise and Operations, BiC, 227A City Road, London EC1V 1LX. Tel 01-53 3716.

■ A nationwide survey of 1,000 young businesspeople aged between 16 and 25 years showed that 70 per cent are supported by either family or friends with half of them still living with their parents.

Fifty four per cent of the entrepreneurs polled had attended recognised business training sessions though only 38 per cent had plans for more training, mostly in the form of short courses.

More than 95 per cent had some kind of formal academic qualification including 88 per cent with O levels. The Young Entrepreneurs Report* is published by Livewire, an organisation backed by the Shell group to encourage youth enterprise.

Available from Livewire UK, 60 Grainger Street, Newcastle upon Tyne NE1 5JG. Tel 091 261 5584. £5.

■ The Inland Revenue has increased its serious investigations activity, according to Ernst & Young, the accountants and financial consultants.

"The recent Ken Dodd case has highlighted the enormous stress a long and rigorous investigation puts the taxpayer under," says Ken Duxbury, head of a new unit set up by Ernst & Young to advise individuals facing investigation.

"Being properly represented in an investigation can reduce both the final tax bill and the often equally heavy interest and penalties which accompany it," he adds.

BUSINESS FOR SALE

TOUCHE ROSS CORPORATE SPECIAL SERVICES

Our Corporate Special Services Department has a network of offices throughout the UK, offering guidance on corporate care to companies in distress, as well as comprehensive services to creditors and bankers. Contact any of the people at our main offices listed below to find out how they can help you best.

London	—	Christopher Morris	Tel: 01-405 8799
Belfast	—	Arthur Boyd	Tel: 0232 649111
Birmingham	—	Andrew Peters	Tel: 021-631 2288
Bracknell	—	Roger Smaridge	Tel: 0344 54445
Bristol	—	David Bird	Tel: 0272 211622
Cardiff	—	Robert Ellis	Tel: 0222 481111
Glasgow	—	Robin Wilson	Tel: 041-204 2800
Leeds	—	Ralph Preece	Tel: 0532 444741
Leicester	—	John Doleman	Tel: 0533 543598
Liverpool	—	Stephen Akers	Tel: 051-236 0941
Manchester	—	Grahame Watts	Tel: 061-228 3456

Touche Ross

Authorised to carry on Investment Business in Great Britain by the Institute of Chartered Accountants in England and Wales and in Northern Ireland by the Institute of Chartered Accountants in Ireland.

LEONARD CURTIS

BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS KEITH D GOODMAN FCA and DAVID SWADEN FCA

IN THE MATTERS OF

PROSPORT LIMITED and PROSPORT (NORTHERN) LIMITED

Offers are invited for the business, assets and goodwill of the above companies which are well known as wholesalers of golf and other sports equipment. They hold a substantial order book and impressive customer list. Current turnover £1.7 million out of premises at Farnham Common, Glasgow and Manchester.

For further information please contact the Receivers:
Leonard Curtis & Co, Chartered Accountants,
30 Eastbourne Terrace, London W2 6LF.
Tel: (01) 262 7700 Fax: (01) 723 6059 Ref: DMV3.

Lancaster Construction Limited
(IN ADMINISTRATIVE RECEIVERSHIP)

L. H. Gatoff. BA (Econ), FCA, and N.R. Lyle. FCA the joint administrative receivers offer for sale the business and assets of this long established company. The business specialises in the fabrication and erection of structural steel, and operates from a centrally located freehold property extending to 22,500 square feet approx. in Scarborough, North Yorkshire.

The other assets comprise of plant and equipment and work in progress.

For further details contact:
Bill Paxton or Douglas Smith
Spicer & Oppenheim & Partners
Central Exchange Buildings
93A Grey Street
Newcastle upon Tyne NE1 6EA
Telephone: 091 261 4111 Fax: 091 232 7665
Telex: 53483 ESANO G

SPICER & OPPENHEIM & PARTNERS
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

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ENGINEERING COMPANY FOR SALE SOUTH EAST

Long established selling its own range of products to blue chip customers. Large order book, own freehold
Turnover £1 million
Profit £120,000

Principals only write Box H5125, Financial Times, One Southwark Bridge, London SE1 9HL

MEDICAL IMAGING OF DIAGNOSTICS AND RESEARCH THE JOINT ADMINISTRATIVE RECEIVERS OF

NODECREST LIMITED
offer for sale
The Business and Assets including Goodwill, Software Rights, Systems Designs, Maintenance Contracts, Equipment and Stock. Situated in Leasehold Premises in Byfleet, Surrey.
Contact: D.R.F. Sapte F.C.A. or A.P. Locke F.C.A.
BEGBIES
Chartered Accountants
6 Raymond Buildings
Grays's Inn
London, WC1R 5BP
Tel: 01-405-1219 Fax: 01-405-0350

MEAT PRODUCTS DISTRIBUTION - KENT

B.E.S. Funded Company For Sale

- Valuable F/H with Rental Income £5K per annum.
- 50% Holding in Wholesale/Retail Butchers with T/O of £170K pa (per 1988 a/cs).
- Valuable Leaseholds Ind. Unit - low rent.
- Existing distributor of Meat Prods. - Kent & S.E.

£69,000 required for acquisition of all of the paid up share capital and opportunity to acquire the other 50% share in the Wholesale/Retail Butchers.

Please write to Box No. H.5119, Financial Times Number One Southwark Bridge, London SE1 9HL

Paramount Airways Limited
(in administration)

The Joint Administrators, R A Powdrill and J B Atkinson offer for sale the business of Paramount Airways Limited.

Paramount is a passenger airline whose principal business is the operation of charter flights on behalf of major tour operators to European and long haul destinations.

The company, based in Bristol and Birmingham, employs 300 people and in the year to 31 December 1988 achieved a turnover of £31 million.

For further information please contact either:
R A Powdrill or A A Brown, Spicer & Oppenheim & Partners, Friary Court, 65 Crutched Friars, London EC3N 2NP. Telephone (01) 480 77 66 Facsimile (01) 480 6958.

SPICER & OPPENHEIM & PARTNERS
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

Printers

WINCOMBLEE PRINT AND DESIGN LIMITED GATESHEAD

The business and assets of the above well-known lithographic, screen and textile printers are offered for sale by the joint Administrative Receivers.

Principal assets include:
- 2 modern freehold factories (12,000 sq.ft. and 6,000 sq.ft. in Enterprise Zone).
- Heidelberg equipment.
- Good order book.
- Skilled work force.

For further information, please contact Joint Administrative Receiver: Roger Griffiths, Ernst & Young, Central Exchange Buildings, 93a Grey Street, Newcastle upon Tyne NE1 6EJ. Tel: 091-232 4333. Fax: 091-261 2916.

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HIGH DENSITY BLOWN FILM PACKAGING SPECIALISTS

Fully Automated Plant Comprising 7 H.D.P.E. Blown Film Extruders, Bag Making & Print Equipment, Extensive Order Book
Turnover of approx £860,000 for 9 months up to 30th June 1989
Leasehold Premises in Knowsley, Merseyside
Further details

EDWARD SYMMONS & PARTNERS
Martins Building, Exchange Flags, Liverpool L2 3SP
Tel: 051 236 8454 Fax: 051 236 6679
London Manchester Liverpool Bristol Southampton

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A NATIONAL FOOD DISTRIBUTOR FOR SALE

We are retained to sell a well-established National Food Distributor

- *Well known Trade and Consumer Brand Names*
- *Important Sole Agencies*
- *Long established relationships with customers and suppliers*
- *Established Management Team and Organisation*
- *Turnover c. £5 Million*
- *Family Owned*

For details, please contact KIT STENNING

DAVID GARRICK
1 de Walden Court
85 New Cavendish Street
London W1M 7RA
Tel: 01-631 0659
FAX: 01-436 4311

SPECIALISTS IN ACQUISITIONS & DIVESTMENTS

BUILDERS/ELECTRICAL/MECHANICAL CONTRACTING GROUP FOR SALE

Successful business in the South East available for sale for reasons that the owners wish to follow more actively other business interests.

Turnover of £2 million per annum returning 27% gross margin and profit before tax of 8% on sales.

Write Box H5107, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

TAIL LIFT AND TIPPER MANUFACTURER

Business and Assets for sale as a going concern

- Based in The Cotswolds, H.H. Manufacturing (Blockley) Limited is engaged in design and production of a range of tail-lifts and tippers for commercial vehicles.
- Turnover approximately £1,000,000 with a skilled workforce of 14.
- Established customers in the commercial vehicle market.
- Premises comprise 7000 sq. ft. of leasehold factory and ancillary office accommodation.
- Plant, machinery and stock amounting to in excess of £100,000.

ROBSON RHODES

For further details please contact the joint administrative receivers:
Ken Jones or Andrew Menzies
Centre City Tower, 7 Hill Street, Birmingham B5 4UU
Telephone: 021 643 1836 Fax: 021 643 4993

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

MOTORPAK LIMITED

The Joint Administrative Receivers offer the assets of the business for sale.

The Company is based in the London Enterprise Zone and operates in the field of Power Electronics Engineers:

- Variable Speed Drives – specialists in brushless DC Drives
- Engine Management Systems
- Turnover approximately £500,000 per annum
- Substantial Order Book
- Wide customer base with many "Blue-Chip" clients
- Highly qualified workforce

Interested parties should contact the Joint Administrative Receivers.
Reference: L553/DC. Telephone: 01-267 4477. Telefax: 01-267 1028. Telex: 27806 LEVGEE G.

LEVY GEE

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Telephone: 020-6683126, Telefax: 020-6686189

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Whatever your business, we should like to hear from principals, whether buying or selling. All types of business sought, regardless of industry, size or location. The strictest confidence is maintained.

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S.BEDS - ELEC CONTRACTOR - L/Hold prem. T/O £560K. NP £50K+. Growth potential Price £150K (Ref ZG17184D)
S. WEST - ELEC INST CONT CO - 1946 Estab Co. F/Hold prems TO £565,670 NP (Ex Dirs Emol) £144,306. Entire S/Hldg for sale Guide £330K (Ref ZG23781L)
NOTTS - BED/KIT FURN/MANU/INSTALL - Profitable bus run from superb 9,000 sq ft F/H Factory/Showroom. T/O £450K+ at 31% GP. £450K stv (Ref Z3417480G)
BRADFORD - MOTOR SPARES WHLESALER - Proj TO 89/90 £450K NP £50K+ Low overheads. L/Hold prems £159K (Ref ZS228OWR)
DEVON - PATIO MATERIAL SUPPLIERS - F/H prop at on ½ acre plot virtually a captured bus. T.O. £430K GP36% Good viable bus. price £500K (Ref ZL16389N)

Write to the General Manager
Everett Masson & Furby Corporate
18 Walsworth Road
Hitchin SG4 9SP
Tel: 0462 422... Fax: 0462 420062

EM&F
EVERETT MASSON FURBY

FOR SALE COMMERCIAL PRINTING COMPANY

Well established North West litho colour printers - T/O £800 K - up to date computer controlled equipment - freehold property - 2,800 sq. ft. - 5 years old - professional staff.
All enquiries to:
Barry Halpern FCA.
Halpern & Woolf Chartered Accountants & Management Consultants, Alberton House, St. Mary's Parsonage, Manchester M3 2WJ.

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Birmingham 17 miles Coventry 25 miles Stafford 15 miles

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6277 yard par 72 course designed by Hawtree & Son, planned opening July 1990
Planning consent for clubhouse and pavilion
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Extensive range of buildings with potential for hotel or leisure development
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UK ELECTRONIC EQUIPMENT MANUFACTURER

- Profits in excess of £0.5m
- Net tangible assets c. £2m including freehold property
- Ungeared
- Worldwide market potential

Principals write to Box H5163, Financial Times, One Southwark Bridge, London SE1 9HL

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An exciting opportunity has arisen to purchase the business and assets of City Business Systems (Leeds) Limited, a company active in the field of personal computer sales and service to corporate and institutional users.
Principal features comprise:
- Annualised turnover in excess of £4 million
- Major national supplier of the leading brand names to the education sector
- Large customer base of installed networking products
- Established team of dedicated sales personnel
- Modern leasehold offices with recently-installed networking and communications systems

For further details please contact the Administrative Receiver: Martin Shaw

KPMG Peat Marwick McLintock
City Square House, 7 Wellington Street, Leeds, LS1 4DW
Telephone: (0532) 450331 Fax: (0532) 424377

Retail Chemists
(In Receivership)

Offer for sale as going concern

- 3 retail outlets including one pharmacy
- 3 prime leasehold sites in Huddersfield and Wakefield, West Yorkshire
- Turnover £600,000

For further details contact the Administrative Receiver:
Michael Hore

ROBSON RHODES
PO Box 15, St George House 40 Great George Street, Leeds LS1 3DQ
Telephone: 0532 459631 Fax: 0532 452823
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NEW YORK BASED MICROCOMPUTER LAN & SYSTEMS INTEGRATION COMPANY

Small (1989 revenue $850k) but rising margins and excellent service and reputation.
Rapid expansion plans and prospects through innovative all-in monthly lease-rental package.
Ideal platform into U.S. for compatible U.K. company.
Experienced management visiting U.K. late September.

Call 0732 741540 quoting FT

BUSINESS FOR SALE HIGH PRECISION TOOL & DIE MANUFACTURER -Home Counties (North)

- Turnover £335/345,000
- Well located Leasehold Premises
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- International customer base
- "Niche" operation
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C J C Derry or L C A Newitt
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London WC1V 6EG
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HENRY BUTCHER

TRAINING COMPANY - SATELLITE TV INSTALLATION

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Technical knowledge not nec; valuable 5 year contract with UK's top satellite expert. Good client base and reputation. Ideal for large cat training co or energetic working owner.
Readvertised due to last minute breakdown in negotiations.
Cost: £30,000
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Our clients wish to retire and are offering for sale a business with excellent opportunities for expansion. It includes a freehold site comprising 2,000 sq.ft. of shop, stores and offices in a prime location with car parking space. The turnover for 1988 was £267K. Offers in the region of £325K.

Write to: C.D Carr
Fraser & Russell
Corporate Development Services
4 London Wall Buildings
Blomfield Street
London EC2M 5NT

Fraser & Russell
Chartered Accountants
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BUSINESS FOR SALE U-FIT WINDOWS & DOORS LIMITED - Orpington -

- Manufacturing and marketing a unique DIY replacement window and door system plus porches and conservatories
- Prime position, hi-tech retail premises
- Strong brand name
- Potential to develop sales of allied products
- Ideal concept for franchising
- Turnover forecast £1.2m with good profits
- Enormous potential

C J C Derry or L C A Newitt
Business Brokerage Division
Brownlow House, 50/51 High Holborn
London WC1V 6EG
Tel: 01-405 8411 Fax: 01-405 9772
Tlx: 897377

HENRY BUTCHER

FOR SALE

UPVC window manufacturing plus double glazing manufacturing on the North West coast of Ireland. Freehold premises 11,200 sq ft plus Northern Ireland offices and showrooms. Established 1975. Turnover excess of 1,000,000 profitable. Machinery in excess of £250,000. Exports 50% of turnover. Very beautiful location 200 yds from the Atlantic. Brochure on request.

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BUSINESSES FOR SALE

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FOR SALE

private companies in Germany
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- machine factory
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SOUTH COAST LIGHT ENGINEERING TOOLING/MOULDING

T/O - £1¾m

FULL ORDER BOOK AND EXCELLENT PROSPECTS

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Located North East England

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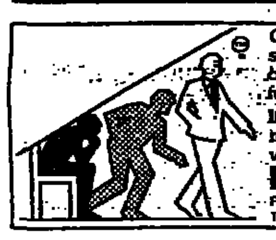

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Details Fax no. 0400 81318 or write Box H5136, Financial Times, One Southwark Bridge, London SE1 9HL

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The Business is currently trading at £1¼ million gross per annum and creates an annual operating profit of circa £100,000. The freehold assets (2 properties) represent 60% of the asking price whilst 2 further properties are held on long leases.
PRICE: £695,000 complete.

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Upon Retirement of Founder

The whole of the issued share capital in long established profitable engineering group located in Ashton-Under-Lyne, Lancashire

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- Plant • Equipment • Vehicles, Goodwill • Excellent Order Book

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Excellent reputation with good orders, blue chip customers. Very profitable. Turnover £1 million.

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Principals only
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Please apply to JPJ or PSA on 01-829 3345 (working hours)

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Importers, wholesalers of a wide range of imported ladies fashion accessories. Agents cover the whole U.K. Turnover £100,000 p.a. Write for details to:

Tarver & Co, The Mill House, South Harting, Petersfield, Hants GU31 5LE

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An ideal opportunity to acquire a rapidly growing Thames Valley based company operating in a niche market with a prestigious client profile.
This year's turnover is expected to exceed £350,000 and there are genuine opportunities for expansion presently unexploited by the current owners. Interested parties please

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Located on main road in Marble Arch, London W2 for sale price £120,000

For details Fax no. 01-723-6271 or write Box H5156, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

Well established Business

introduced in the gift market to major stores. Sole Proprietor has other interests, wants to sell. Turnover £40,000 p.a., new exciting range added. Fantastic prospects excellent opportunity for good marketing company.

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Company for sale. Ready to trade £3,000.
TEL: 01 878 8629

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Two Nursing Homes 87 Beds + PP 10 Beds, one near London. Well equipped, professionally managed, high occupancy & excellent profits. Prestigious Freehold properties with development potentials. Offers over £3.5 million.

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81 Learjet 35A-389
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81 Embraer Bandeirante 110-342
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Write with info on your company, to Colechurch (UK) Ltd, 2 London Wall Buildings, London Wall, London EC2M 5PP. Fax: 01-588 2718.

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Offers are sought for an Isle of Man based Trust Company with extensive international contacts and clients - Excellent growth record and potential. Principals only write to

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Established Hi-Tech Development Company seeks interested party for sale/merger to fund second stage world-wide product marketing. This product is a universal automated ID system with state of the art technology and internationally patented. Substantial investment already made.

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Unique Opportunity to acquire a long established and expanding, London based, Tool and Ironmongery distribution business. Turnover well in excess of £1 Million. Principals Only.

Write to Box H5129, Financial Times, One Southwark Bridge, London SE1 9HL

FOR SALE

Profitable, London based private printing company. Turnover £700,000 p.a.

Please Write Box H5161, Financial Times, One Southwark Bridge, London SE1 9HL

Private light engineering company

in Staffs. estab. 1971. t/o £1,000,000. For sale as profitable going concern. Owner wishes to retire.

Write Box H5132, Financial Times, One Southwark Bridge, London SE1 9HL

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Blue chip client base.
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COMMODITIES AND AGRICULTURE

Cocoa sharply down after failure of latest talks

By David Blackwell

THE COCOA market wasted no time yesterday in pegging prices sharply down following weekend news that the International Cocoa Organisation talks had ended in failure.

At the end of last week the market became increasingly optimistic about the outcome of the ICCO talks, aimed at putting some life back into the international agreement. Once again the delegates argued into the early hours of Saturday before conceding defeat in their attempts to reconcile the differences between producers and consumers.

On the London Futures and Options Exchange (Fox) yesterday the December contract fell £39 to £780 a tonne.

Last week's talks were the fifth attempt to revive market support measures for cocoa and came closer to success than any of the previous meetings in the past 18 months.

Late on Friday a package had been put together which would have lowered the price range the agreement was trying to defend – a key point which producers had previously refused to concede. However, the proposed range of between 1,255 and 1,905 Special Drawing Rights (SDRs) a tonne should be compared with yesterday's ICCO average indicator price of 922.99 SDRs.

The package proposed a reduction in the levy paid on imports and exports of cocoa from $30 to $5 a tonne. Producers also promised $30m to be put into the ICCO kitty to finance a withholding scheme designed to take 120,000 tonnes off the glutted world market. The ICCO is already owed $115m in levy arrears.

The talks were proceeding well until key consumers, including the UK and West Germany, made it clear that money for operating the withholding scheme would not be paid to producers who remained in debt to the organisation, but would be used to reduce their debts. This proved unacceptable to the Ivory Coast, the world's biggest producer, which owes £69m.

After getting so near to a solution to the agreement's problems, the EC and the Ivory Coast said they would abstain from voting on the package, and it was not voted on.

"It was within the producers' grasp," said one consumer delegate yesterday. "It could have gone through if the producers had willed it."

The agreement, which has been frozen since February 1988, runs out in September next year. The ICCO executive board meets in December, but most analysts now agree that the outlook for the agreement is extremely bleak.

Gill & Duffus, the London trade house, puts the world production surplus over demand at 309,000 tonnes for 1988/89 and predicts a sixth successive year of overproduction next season. If there is no extension or renegotiation of the cocoa agreement by next September the ICCO will have to start selling its 240,000 tonne buffer stock, adding to the market's problems.

Meanwhile, all eyes will be on the Ivory Coast's marketing strategy, analysts believe. It has been widely rumoured in the market that a deal struck earlier in the year between the Ivory Coast, Philipp Brothers and Sucres et Denrees for 500,000 tonnes of cocoa has been called off.

Rain too late to relieve feedstock shortage

Livestock farmers in the south and west face particular problems

WITH the possible exception of those who found themselves beneath one of last week's cloudbursts, the judgment of most livestock farmers in the south of England would be that recent rain was probably too little and certainly too late.

Given that some South Coast areas have had 2in of rain or more in the last few days that may seem unlikely. It can, however, be put into perspective when you consider that soil moisture deficits in some areas have added up to 7in or 8in – a third of average annual precipitation – and remember that the last significant rainfall in those areas was in April, since when we have had one of the hottest summers on record.

In Norfolk we had a few good rains in July but the accumulated moisture deficit was still 5in to 6in before last weekend. A few showers and periods of drizzle in the past few days have done little to correct the fundamental problem – although on arable farms they have probably been sufficient to germinate oil seed rape, planted a couple of weeks ago, and to soften clods enough to enable autumn crops of wheat and barley to be planted in the next few weeks.

But it is livestock farmers in the south and west in particular who face the most serious problems. Lack of rain has inhibited grass growth in those areas throughout the summer. This has meant that cattle and sheep have been short of grazing for many weeks and some are beginning to show signs of their short rations.

Suckler cows – that is cows with beef calves at foot which

FARMER'S VIEWPOINT

By David Richardson

can normally support themselves and provide milk for their calf through the summer on a diet of grass alone – are suffering the most on many farms. They have, as the saying goes, "milked off their backs" in order to feed their calves. Most of the calves are fine but many of the mothers will approach the winter with their ribs showing.

The same is true of breeding ewes, although the depth of wool tends to mask their true condition. They too have suckled lambs through the difficult summer to their own detriment and are nothing like as well fleshed as they should be at this time of year.

The worry is that this will affect productions of lambs next year.

Many farmers have in fact been forced to feed silage and hay to their sheep, beef cattle and dairy cows for several weeks already to keep them in as good condition as possible at a time when there should be ample grazing for them all.

Normally silage clamps and haystacks would not be opened until the beginning of winter when the animals are taken off the fields and brought into sheds for the cold weather. This year sizeable inroads have been made into those stocks of fodder and there is a prospect on many farms that supplies will run out well before the grass grows again next spring.

This is made all the more likely because of the much reduced amount of grass that has been conserved so far this year. Most farmers set out to take at least three cuts of grass off each field each summer to make into silage or occasionally hay for winter fodder. It is reckoned to be necessary to conserve about 10 tonnes of silage per dairy cow per year for total security of stock feed. This year most farmers took one good cut in May or early June, but then the parched grass grew so slowly that either the second cut, normally taken in July, was very poor or more likely was unavailable because it had been used for grazing instead.

This means few farmers were able to make even two thirds of the silage needed for a normal winter and now significant quantities of that are being consumed months ahead of usual.

Whether the rain of the last few days will promote sufficient grass growth to enable further cuts to be taken in late October remains to be seen. Even if it does both quality and quantity are bound to be poor. In many cases it will not be possible as pastures are so badly damaged by the combination of drought and animals' feet kicking up dust that they are beyond any benefit from rain and will have to be reseeded for next year.

There alternative feeds for livestock. Cattle and sheep do not necessarily live by grass alone. They will for instance grow or milk perfectly well, according to species, on such diverse bulk commodities as maize silage, turnips, waste carrots, misshaped potatoes, or straw treated with a protein supplement.

The animals will also exist quite happily on mixtures of sugar beet pulp - waste from sugar making - apple pomace - after juice has been squeezed from the fruit, or brewers' grains - husks left from barley used for beer.

The few farmers in the south of England who grew maize have done rather well this year. The crop likes lots of sunshine and some excellent crops are about to be cut. But turnips sowed into stubble after cereals had been harvested have simply failed to grow in many areas because of lack of moisture.

There are nothing like as many waste vegetables around as usual this year because they too have been hit by the dry weather and yields are much reduced. Those that are available are selling at £17 to £20 per tonne, or more than twice the price of last year, and very expensive in relations to their nutrient value.

Straw too has become expensive at around £30 per tonne ex-farm for best barley and £20 per tonne for wheat, which is much less suitable for feeding. Add to that the cost of transport from the main cereal growing areas in the east to the livestock areas in the west and the price to end users becomes prohibitive.

Similarly with the waste products from the cider, beer and sugar industries. Suddenly there is a shortage of stocks where not too many months ago the processors were struggling to sell to farmers who had ample fodder.

Indeed in the case of sugar beet pulp the shortage is causing problems between British Sugar, which processes all the sugar beet grown in this country, and the farmers who grow it. The contract between the two parties states that sugar beet growers have the right to purchase from British Sugar up to 75kgs of pulp for every tonne of sugar beet delivered to the factory subject to availability.

It now appears that demand for pulp from farmers who do not grow sugar beet has been greater than ever before and having responded to that demand that British Sugar may be unable to fulfil its obligations to its growers. At the very least some deliveries will be delayed until after Christmas, and some growers may not receive their full entitlement if they failed to order by the due date.

Needless to say those growers who had been relying on the pulp to feed their livestock through the winter are pretty upset and will fight to retain their rights however sorry they may feel for their West Country colleagues.

Meanwhile the see-saw of relative advantage across our small country continues. In the north west of England and the Scottish Borders farmers of both stock and crops have had a wonderful year. They normally suffer from too much rain but this year it has been just right.

Their grass has grown, their animals have thrived and their arable crops have produced good yields, easily harvested. Proof that the weather dictates farming fortunes even more than the politicians.

Base metals head for surplus

By Kenneth Gooding, Mining Correspondent

EVERY non-precious metal market will be in surplus by the second half of 1990 – the first time this has happened since 1981, predicts the Metals & Minerals Research Services consultancy group.

However, stocks will remain tight and prices are forecast to fall from the very high peaks of 1988 by only 10 per cent this year and a further 20 per cent in 1990.

The main exception is tin, which MMRS suggests will move up from $3.25 a lb last year, to an average of $4.23 this year and to $5 a lb in 1990.

In its latest Metals Analysis and Outlook the group also says silver and gold face serious excess supply in the coming year and platinum has now also moved into surplus.

There is likely to be an excess of gold supply compared with demand of 345 tonnes next year which "will need lower prices to be absorbed." MMRS forecasts the gold price will slip from an average of $375 a troy ounce this year to $350 in 1990.

The group takes a less optimistic view of world economic growth than many other forecasters and anticipates "a rather more bumpy end to the long period of growth . . . but any recession will be short lived."

MMRS does not expect any headlong collapse in non-precious metals prices because markets, although easier, "are by no means massively oversupplied."

Lower prices should work quickly to cut marginal, high-cost production, limiting the potential for a prolonged slide. "This, at least, is what we believe to be the lesson learnt from the last recession."

Strikes, political turmoil, civil disorder and mechanical breakdown, so much a feature of metal markets in the past year to 18 months, may continue to dominate supply developments to 1990 and upset the forecasts, MMRS admits.

"Nevertheless, there is clearly an underlying improvement in supply-demand balances which can only partially be arrested by further supply disruptions. With consumption flat, it will take a very major jolt to reverse the falling trend in prices."

Metals Analysis and Outlook quarterly, £300 a year from MMRS, 222 the Strand, London, WC2R 1BA.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium high grade	-2,350	to 81,275
Copper	+9,525	to 97,200
Lead	+3,900	to 38,000
Nickel	-504	to 3,744
Zinc	-3,900	to 67,825
Tin	-380	to 3,520

Brazil approves sugar export target

PRESIDENT Jose Sarney of Brazil has approved a sugar export policy that sets aside 640,000 tonnes for shipment this year, writes John Barham in Sao Paulo

In May the Government abolished the Sugar and Alcohol Institute's role as sole export agent and allowed producers to export sugar directly. Disputes over taxation and a buffer stock prevented implementation of the policy.

In August the Government restricted exports as supplies of sugar and alcohol ran dangerously low. Producers preferred to export since domestic sugar prices barely covered production costs while export prices have soared this year.

Mr Sarney approved a Congressional bill establishing that exporters must obtain approval from the Sugar and Alcohol Institute for each shipment, to protect domestic stocks.

The measure will to remain until the end of May 1990. The Government will later establish an export quota for the five months from January 1990.

Short supply drives tea prices higher in London

By David Blackwell

TEA PRICES rose sharply in London yesterday – "we have a very, very strong market on our hands," said one trader. The medium quality price rose to 145p a kilogram from 134p last week, when prices rose by 10p a kilogram.

The main force driving the market up is a shortage of supplies from India and Sri Lanka, the world's two leading exporters. The shortages follow droughts in southern India and Sri Lanka, where the weather problem has been compounded by the country's the political troubles.

Prices strengthened throughout May and June as news of the droughts came in. Prices reached 130p a kilo for medium quality tea at the beginning of July but have remained fairly flat since.

One trader yesterday: "An awful lot of buyers were not prepared to accept that we were short of tea. There was a good deal of resistance from the market – but now the worm has turned."

Both India and Sri Lanka are about 25m kilogrammes down on their crops this year. Kenya is the only country to have added to its crop, which is expected to be up about 10m kilos, leaving world output so far this year about 40m kilos down on 1988.

Prices for tea in India, where domestic demand is strong, have soared. The country is torn between two stools as it tries to balance the need to export against the growing domestic market in an election year.

It has decreed that alternate tea auctions should be made available to domestic buyers only.

Turkey to import 5m tonnes of grain after spring drought

By Jim Bodgener in Ankara

TURKEY will have to import five million tonnes of grain at a cost of up to $1bn as a result of poor harvests due to the drought in the spring, according to officials.

This is much more than was originally predicted and is expected to have a sizeable impact on the current account, already back in deficit after a $1,590 million surplus last year. This reverses a net export surplus last year from a grain crop estimated to be 15 million tonnes. The drop in the wheat crop this year is about 25 per cent compared with 1988. According to officials the barley crop is worse, about 40 per cent down.

Foreign experts say that based on satellite intelligence the crop might be 40 per cent to 50 per cent down.

Grain and bread prices have risen dramatically as a result of the drought.

The state-owned Soil Products Office (TMO) will finance the imports of grain from about $200 million remaining of its allocation of country cooperation credits from the US Department of Agriculture, loans being negotiated with France's export credit insurance agency Coface, and its own resources.

Last week it signed up a $50 million loan at Libor plus 1/2 per cent with a consortium of banks lead managed by France's Banque Internationale de Commerce (BIC).

Two large floating terminals have been leased for four years from Rotterdam to import the grain, since there are no marine installations in Turkey capable of handling Panamax class ships. The terminals will be moored in Derince bay, where TMO has long-term plans to construct a major import terminal. The rate of discharge will be 15,000 tonnes a day for transhipment into smaller vessels.

The most arid summer in more than 50 years has hit non-irrigated agriculture throughout the country. Pulses have suffered badly too, while the cotton crop is down. According to the State Institute of Statistics the trend is for a 10 per cent contraction in agricultural output this year, based on January-June data.

If soil moisture is not replenished by winter or spring rains next year could be much worse.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices eased on the LME yesterday following news that LME warehouse stocks for last week rose by more than expected, jumping by 9,525 tonnes to 97,200 tonnes – the highest level since early April. This compares with a low for the year of 67,875 tonnes in late July. Some traders thought current arbitrage levels could induce shipment of unwanted metal from LME warehouses to the US in order to help relieve supply tightness on Comex. Aluminium prices also closed down after moving ahead in the morning on news of a 2,350 tonne fall in LME stocks. Traders said the lower end of the current $1,680 to $1,740 a tonne trading range is expected to come under pressure as stocks – particulalry producers' – are expected to rise in the fourth quarter unless there is an improvement in demand or some production cuts.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.65-5.70q	+.175
Brent Blend	$18.00-8.05w	+0.20
W.T.I. (1 pm est)	$19.90-9.95w	+0.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$205-207	
Gas Oil	$171-173	+½
Heavy Fuel Oil	$89-90	+1½
Naphtha	$156-158	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$361.25	+4.75
Silver (per troy oz)♣	508c	+4
Platinum (per troy oz)	$471.15	+0.50
Palladium (per troy oz)	$139.00	-0.75
Aluminium (free market)	$1680	-35
Copper (US Producer)	142⅝-144c	+1¾
Lead (US Producer)	40.5c	
Nickel (free market)	505c	-5
Tin (Kuala Lumpur market)	22.30r	
Tin (New York)	374.5c	
Zinc (US Prime Western)	80¼c	
Cattle (live weight)†	113.64p	-3.10*
Sheep (dead weight)†	130.74p	-13.6*
Pigs (live weight)†	105.31p	+2.07*
London daily sugar (raw)	$344.6y	+5.2
London daily sugar (white)	$424y	+3
Tate and Lyle export price	£336.5	+3.5
Barley (English feed)	£107.75x	
Maize (US No. 3 yellow)	£126	
Wheat (US Dark Northern)	£126	
Rubber (spot)♥	57.75p	-0.75
Rubber (Oct)♥	60.75p	-0.75
Rubber (Nov)♥	61.50p	-0.75
Rubber (KL RSS No 1 Oct)	237.5m	
Coconut oil (Philippines)§	$507.5v	
Palm Oil (Malaysian)§	$317.5w	
Copra (Philippines)§	$295	
Soyabeans (US)	£179	
Cotton "A" index	82.65c	+0.15
Wooltops (64s Super)	608p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec. t-Aug/Sep v-Sep/Oct. w-Oct. q-Nov. z-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Sep	725	780	735 725
Dec	780	819	790 776
Mar	745	784	758 744
May	751	790	765 750
Jul	765	804	779 763
Sep	778	819	797 779
Dec	802	846	821 800

Turnover: 9857 (8293) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 15 922.99 (938.76) :10 day average for Sep 18 930.94 (935.17)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Sep	772	790	788 769
Nov	784	800	798 782
Jan	781	792	793 780
Mar	795	803	807 793
May	815	820	823 810
Jul	840	845	843 836
Sep	860	865	863 852

Turnover: 2546 (1620) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 15: Comp. daily 68.48 (68.52). 15 day average 70.17 (70.13)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Oct	315.60	306.40	317.00 307.00
Dec	318.00	307.60	307.00
Mar	309.00	298.60	310.00 300.00
May	301.80	293.00	302.60 294.20
Aug	294.20	288.00	294.00 287.40
Oct	285.60	281.00	285.40 282.00
White	**Close**	**Previous**	**High/Low**
Dec	400.00	392.50	400.00 393.00
Mar	381.50	372.00	381.00 371.00
May	378.50	368.50	377.50 373.00
Aug	378.00	369.00	375.50 375.00
Oct	367.50	359.00	363.00 361.00

Turnover: Raw 7121 (4989)lots of 50 tonnes. White 703 (2278).
Paris- White (FFr per tonne): Oct 2630, Dec 2520, Mar 2500, May 2490, Aug 2430, Oct 2420.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Nov	17.79	17.60	17.86 17.77
Dec	17.64	17.44	17.69 17.61
Jan	17.50	17.30	17.50
IPE Index	17.63	17.70	

Turnover: 3829 (3881)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Oct	168.50	167.50	170.00 168.25
Nov	166.50	165.00	167.75 166.25
Dec	164.75	163.50	165.75 164.75
Jan	163.50	162.25	164.50 163.25
Feb	160.50	159.75	162.00 160.25
Mar	156.25	157.00	157.50 156.00
Apr	153.50	152.50	154.50

Turnover 6904 (5747)lots of 100 tonnes

TEA
There were 16,556 packages on offer including 400 offshore, reports the Tea Brokers Associaton. The new season Assam offerings again met good competition at firm rates with best quality sorts in particular request and often dearer. There were strong and general demand for African teas with prices showing advances of 10p-15p per kilo and sometimes more. Ceylons were actively supported at a regularly dearer levels. In the offshore auction a small selection of Kenya teas met strong demand at dearer rates. Quotations: quality 195p (185p), medium 145p (134p), low medium 120p (110p).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 18,700 tonne
Cash	1677-80	1698-6	1680/1675	1677-80		
3 months	1683-5	1690-3	1705/1680	1685-6	1690-5	31,776 lots
Copper, Grade A (£ per tonne)						Ring turnover 27,700 tonne
Cash	1866-7	1884-6	1870/1865	1868-70		
3 months	1860-1	1875-6	1870/1856	1865-6	1857-8	71,881 lots
Lead (£ per tonne)						Ring turnover 7,625 tonne
Cash	464-6	466-8	469/465	465-6		
3 months	455.5-6	458-7	458/452.5	456-7	458-8.5	11,888 lots
Nickel ($ per tonne)						Ring turnover 906 tonne
Cash	11075-125	11000-50	10980	10960-1000		
3 months	10775-80	10740-50	10850/10700	10725-50	10795-800	6,026 lots
Tin ($ per tonne)						Ring turnover 445 tonne
Cash	8125-50	8090-130	8125	8120-30		
3 months	8225-50	8220-30	8300/8200	8230-40	8220-30	5,714 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 10,800 tonne
Cash	1632-5	1645-50	1631/1630	1631-2		
3 months	1628-30	1630-3	1635/1625	1620-5	1635-45	13,699 lots
Zinc ($ per tonne)						Ring turnover 5,425 tonne
Cash	1610-20	1615-25	1620/1610	1615-20		
3 months	1575-80	1585-90		1575-85	1590-600	5,596 lots

LME Closing £/$ rate:
SPOT: 1.5695 3 months: 1.5610 6 months: 1.5323 9 months: 1.5166

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Nov	141.0	140.0	140.0
Feb	177.0	170.0	
Apr	221.0	218.6	221.0 217.0
May	250.0	245.0	245.0 244.0

Turnover 342 (211) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Oct	151.00	153.00	
Dec	150.00	151.50	150.00
Feb	148.50	150.00	149.00

Turnover 27 (11)lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Sep	1443	1436	1443 1430
Oct	1504	1487	1504 1482
Jan	1568	1542	1568 1545
Apr	1605	1582	1607 1585
BFI	1434	1433	

Turnover 379 (146)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Sep	104.90	104.30	104.90
Nov	107.30	107.00	107.50 107.25
Jan	111.45	111.10	111.65 111.15
Mar	114.25	113.85	114.25
May	117.65	117.00	117.65
Jun	118.85	118.35	118.80
Barley	**Close**	**Previous**	**High/Low**
Sep	101.00	100.50	100.80
Nov	103.55	103.35	103.70 103.35
Jan	107.60	107.30	107.75 107.60
Mar	110.60	110.30	110.60
May	112.90	112.65	112.90

Turnover: Wheat 195 (283), Barley 61 (68).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	130.0	129.2	
Nov	131.1	131.0	131.0
Feb	121.0	120.5	120.5 120.0
Apr	120.5	120.5	
Jun	117.0	116.5	116.5
Aug	115.5	113.8	114.5

Turnover 70 (108) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	361-361½	230½-231
Opening	360½-361	230½-231
Morning fix	360.1	231.323
Afternoon fix	359.7	229.987
Day's high	361¼-361¾	
Day's low	359¼-359¾	
Coins	**$ price**	**£ equivalent**
Mapleleaf	372-377	237½-240¼
Britannia	372-377	237½-240¼
US Eagle	372-377	237½-240¼
Angel	370-375	235½-238½
Krugerrand	361-364	230½-232½
New Sov.	85-86½	54¼-55
Old Sov.	85-86½	54¼-55
Noble Plat	476.5-484.35	305.75-310.6
Silver fix	**p/fine oz**	**US cts equiv**
Spot	325.55	506.75
3 months	336.70	517.90
6 months	348.15	529.15
12 months	370.10	551.45

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
1600	103	101	14	31
1700	42	49	51	76
1800	12	20	119	144
Copper (Grade A)	**Calls**		**Puts**	
2750	214	184	53	123
2850	152	173	90	173
2950	139	233	139	233
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
750	55	82	22	51
800	28	58	48	77
850	13	40	80	109
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700	87	79	7	35
750	51	53	21	59
800	26	34	46	90
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
1700	94	98	16	36
1750	57	69	28	56
1800	31	46	52	83

US MARKETS

IN THE METALS, gold silver and platinum prices fell slightly as scattered profit taking erased some of Fridays gains, reports Drexel Burnham Lambert. December gold lost 2.40, the days biggest decline. Buy-stops helped copper post a modest rally but switches made up most of the volume. In the softs, sugar prices soared on news that hurricane hugo is beaded for growing regions in Cuba. October sugar advanced 39 closing at 14.36. Cocoa trading was also active as heavy commission house selling was featured. The livestocks had higher prices in the bogs as increased commerical buying was seen. Cattle futures were lower due to long liqudation ahead of the cattle on feed report. Pork bellies closed changed. The grain markets were all lower due mostly to steady commercial activity and favorable weather this week in Mid-Western US. The energy complex was mixed after two-sided action.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	361.7	363.9	0	0
Oct	362.8	365.2	364.0	361.3
Nov	364.7	367.1	0	0
Dec	366.5	368.9	367.7	365.0
Feb	370.4	372.9	371.5	369.3
Apr	374.4	376.9	374.9	373.0
Jun	378.6	381.1	379.1	379.0
Aug	382.7	385.2	0	0
Oct	387.0	389.5	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	474.7	476.8	476.7	472.0
Nov	475.5	477.7	0	0
Jan	478.2	480.6	480.9	478.0
Apr	481.2	483.6	483.0	480.0
Jul	484.2	486.6	484.5	484.5
Oct	487.7	490.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	506.3	508.4	508.0	506.0
Oct	508.0	510.2	0	0
Nov	512.4	514.6	0	0
Dec	516.3	518.5	519.0	515.0
Jan	519.3	521.5	0	0
Mar	527.8	529.9	530.5	526.5
May	535.7	537.8	537.5	537.0
Jul	543.7	545.8	546.0	544.5
Sep	552.0	554.1	553.1	552.0
Dec	563.8	565.8	565.0	563.0

INDICES

REUTERS (Base: September 18 1931 = 100)

Sept 15	Sept 14	mnth ago	yr ago
1901.5	1895.7	1900.1	1890.6

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	129.48	128.64	129.34	133.38
Futures	130.69	129.80	129.97	135.25

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	137.80	136.30	139.20	137.60
Oct	131.30	130.20	131.60	131.00
Nov	129.80	128.75	0	0
Dec	127.70	126.75	129.20	127.10

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	19.89	19.96	20.07	19.88
Nov	19.62	19.60	19.72	19.59
Dec	19.37	19.34	19.45	19.33
Jan	19.14	19.10	19.20	19.10
Feb	18.98	18.94	19.02	18.95
Apr	18.81	18.76	18.81	18.73
May	18.73	18.69	18.73	18.73
Jun	18.70	18.63	18.70	18.66
Jul	18.60	18.57	18.60	18.60

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	5675	5595	5680	5585
Nov	5650	5646	5710	5635
Dec	5696	5698	5770	5680
Jan	5665	5653	5710	5655
Feb	5570	5546	5585	5535
Mar	5335	5341	5365	5335
Apr	5150	5146	5160	5150
Jun	4940	4921	4940	4930
Jul	4905	4891	4905	4891

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1035	1102	1065	1031
Mar	1036	1093	1058	1033
May	1049	1107	1072	1048
Jul	1067	1121	1085	1063
Dec	1114	1170	1136	1125

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	80.25	80.83	80.30	79.00
Dec	79.37	80.66	80.80	78.30
Mar	81.93	83.15	82.90	80.85
May	83.98	85.28	84.95	83.05
Jul	85.93	87.25	87.25	85.75
Sep	87.88	89.50	89.50	87.75
Dec	90.83	92.00	91.10	90.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	14.36	13.97	14.40	14.03
Jan	13.65	13.10	13.10	13.00
Mar	13.82	13.41	13.98	13.52
May	13.56	13.16	13.60	13.28
Jul	13.34	12.93	13.38	13.05
Oct	12.83	12.62	12.95	12.72

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	74.40	74.45	75.40	74.40
Dec	74.60	75.24	75.50	74.65
Mar	75.45	76.09	76.50	75.45
May	76.30	76.65	76.80	76.30
Jul	76.70	76.82	77.00	76.70
Oct	70.15	70.07	70.26	70.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	148.70	152.35	154.75	148.00
Nov	138.20	136.60	139.75	137.20
Jan	136.50	135.15	138.15	136.00
Mar	136.00	135.15	137.50	135.30
May	135.50	134.85	136.90	136.90
Jul	136.00	134.55	0	0
Sep	134.50	134.25	0	0
Nov	134.20	134.10	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	572/2	583/4	579/0	571/0
Nov	568/4	576/4	573/0	567/0
Jan	578/6	586/2	583/4	577/6
Mar	590/6	598/2	594/4	590/0
May	599/2	607/2	603/4	599/0
Jul	604/2	612/4	608/0	603/4
Aug	595/0	602/0	0	0
Sep	581/0	586/0	590/0	581/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	18.57	18.73	18.71	18.52
Oct	18.66	18.77	18.85	18.62
Dec	19.08	19.23	19.30	19.05
Jan	19.35	19.50	19.54	19.32
Mar	19.76	19.90	19.90	19.75
May	20.07	20.22	20.29	20.05
Jul	[illegible]	[illegible]	20.60	20.50
Aug	20.60	20.55	20.70	20.60

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	205.7	206.8	208.5	204.8
Oct	189.1	190.6	190.1	188.2
Dec	183.0	184.8	184.2	182.2
Jan	181.7	183.2	182.7	181.0
Mar	179.7	181.4	181.0	179.1
May	179.0	180.5	180.0	178.5
Jul	176.7	177.8	177.0	175.6
Aug	175.0	176.2	176.0	174.9

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	234/2	235/0	234/6	233/0
Dec	228/0	230/2	228/4	227/2
Mar	235/2	237/4	236/0	234/2
May	240/6	243/0	241/4	240/0
Jul	243/4	246/2	244/4	243/0
Sep	236/2	237/2	238/6	235/0
Dec	232/2	233/2	234/6	232/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	382/2	388/6	388/0	381/0
Dec	391/2	398/2	395/2	390/6
Mar	391/2	396/4	394/6	391/0
May	371/0	375/0	375/0	370/4
Jul	343/6	348/0	346/4	343/2
Sep	349/0	350/4	351/2	349/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	69.00	69.10	0	69.00
Oct	72.02	72.45	72.46	71.90
Dec	73.77	74.05	74.20	73.60
Feb	73.52	73.62	73.82	73.42
Apr	74.27	74.52	74.50	74.25
Jun	71.55	72.00	71.90	71.45
Aug	69.80	70.15	70.15	69.70

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	41.85	40.97	41.70	40.85
Dec	42.77	42.45	42.85	42.32
Feb	44.02	43.72	44.17	43.65
Apr	41.77	41.50	41.95	41.50
Jun	46.35	46.30	46.47	46.20
Jul	46.87	46.85	46.90	46.70
Aug	45.42	45.32	45.50	45.30
Oct	42.50	42.30	42.60	42.25

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	48.20	48.25	48.30	47.80
Mar	48.35	48.45	48.45	48.05
May	49.50	49.60	49.55	49.15
Jul	49.77	49.80	49.80	49.50
Aug	48.60	49.00	48.90	48.80

FINANCIAL TIMES SURVEY

The success of mobile services is reflected in soaring stock market values for operators and an interest in new concepts. However, to meet rising customer demand, companies need to push forward the boundaries of technology. **Hugo Dixon** reports.

Poised for the mass market

MOBILE communications are on the threshold of becoming a mass market.

Despite the industry's stunning growth in the late 1980s, cellular communications have still only penetrated a specific portion of the business community – people such as salesmen who travel a great deal in their jobs and top executives.

The advantages of being in touch and being able to use efficiently what would otherwise be hours of "dead" travelling time each week have been so great that the high costs of owning and using a cell phone have not been a deterrent for these customers.

However, the vast majority of people in industrialised countries while attracted by the concept of mobile communications have been put off by the size of the handsets and by the costs. In the UK, where prices are among the lowest, a portable phone costs £1,000 and charges are 38p a minute, about four times as much as calls from an ordinary phone.

The prospect now is that advances in technology, the introduction of more competition and economies of scale can together drive down prices to such a low level that, by the end of the century, mobile communications will be within reach of the ordinary consumer. Handsets costing £100 and charges that are only a small premium over ordinary call rates are the conditions necessary to achieve this, experts say.

The exact path to this goal is still a matter of debate and it seems likely that some of the more ambitious targets for creating a mass market by the *mid-1990s will not be met.* Britain, for example, is pressing ahead with two new mobile concepts – telepoint and personal communications, both of which are intended to appeal to the mass market – but other countries may adopt different technical approaches.

How *these* arguments are resolved will have a profound impact on which companies make money out of mobile communications. But they are not likely to affect the growth of the market in the long-term, because of the appeal to the average person of being able to pack more *social* and *business* engagements into their tight schedules.

Whether the mobile revolution will liberate humanity by giving people greater control over their lives or enslave humanity by speeding up the rat race remains to be seen. *There is little doubt, though,* that when costs fall consumers will snap up mobile phones in the same way that they previously took to cars, televisions and video-recorders.

Although the conversion of mobile communications from a specialist into a mass market is dominanting the industry, there are four other trends.

■ Mobile communications technology has the potential to replace fixed links for providing local phone calls. Instead of digging up roads and laying down expensive copper cables, which need considerable maintainance, local calls could be transmitted over radio links.

The simplest and cheapest option would be to have a base station in every office and at the end of every street, and allow customers to use their handsets only if they were within range of that particular base station. A more sophisticated alternative would be to allow customers to use their handsets at any base station, but this would add to costs

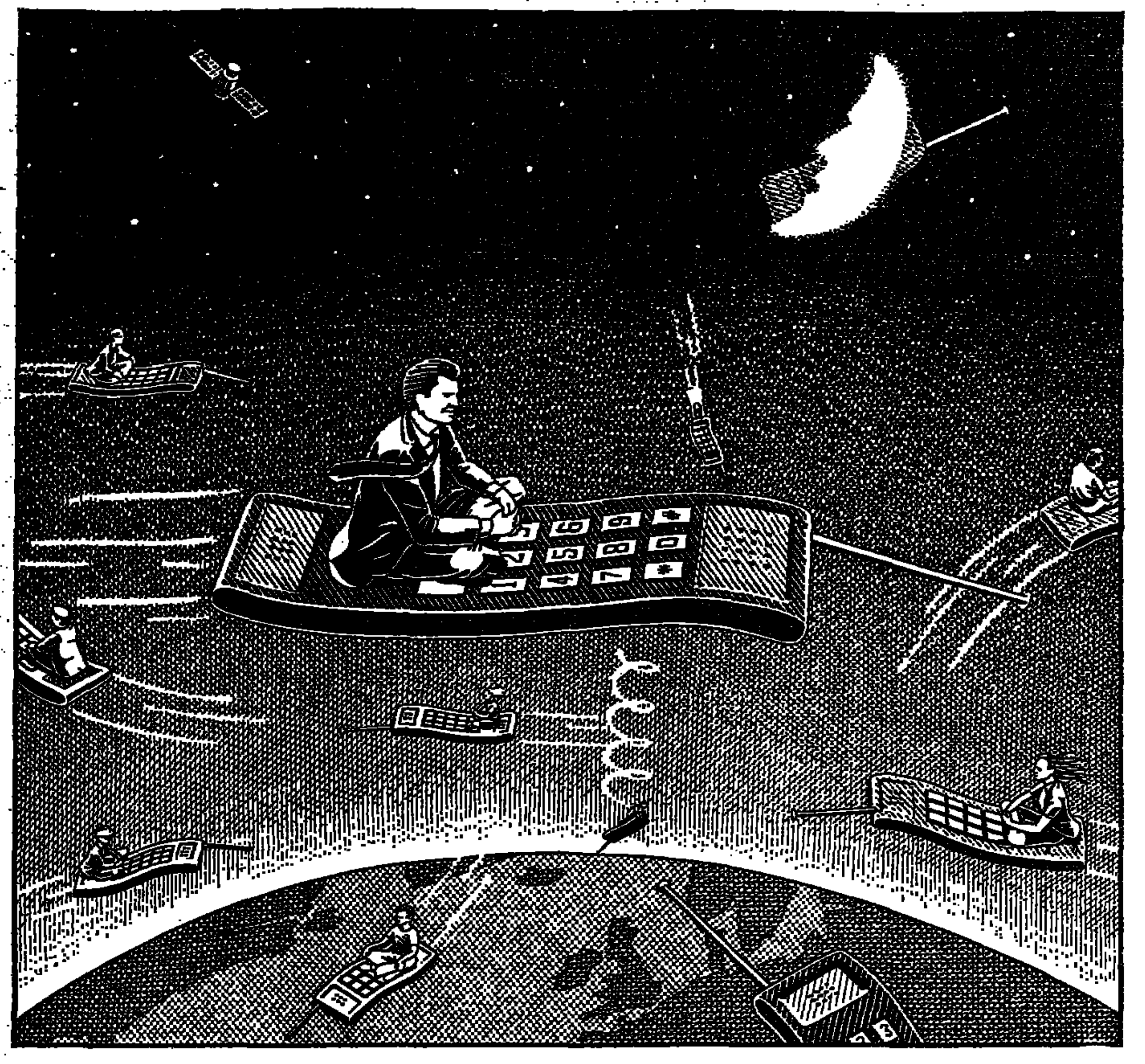
The use of radio links to provide the ordinary phone service could be attractive to developed nations which are keen to promote competition. The idea is also being examined by less-developed countries as a way of constructing from scratch a basic phone network quickly and cheaply.

This does not mean, though, that cable links will be redundant, because radio has inherently poorer quality and cannot carry large volumes of traffic. The method of transmitting advanced data and video services will be via fibre-optic rather than old-fashioned copper cables.

■ Personal numbers will be *introduced. Some commentators* confuse these with personal communications, but the two concepts are actually parallel developments.

The idea is that everybody should have a personal number, which would be different from the number of any hand*set he or she happened* to be using. If people wanted to get hold of a person, they would call the personal number; if they wished to get hold of a particular location – an office, a home or even a mobile phone – they would call the number for that location.

Personal numbers would allow people to be in contact, even if they were not carrying a mobile phone. They would, of course, have to tell the network where they were. To make this easy, personal numbers would probably be contained on special plastic cards *called smart cards.*



Mobile Communications

■ Mobile communications services are going international. The most important developments are in Europe, where there are several initiatives for ensuring that people will be able to roam across the continent with the same piece of equipment, and stay in contact.

These international services require considerable co-ordination, both technically and commercially. But, in Europe, the advent of the single European market in 1992 has given the process of integration a special impetus.

The largest project is the pan-European cellular system, which is due to start its roll-out in 1991. One by-product has been the formation of a series of cross-border alliances between companies wishing to attack what could be a lucrative market.

The first cross-border initiative, however, will be Euromessage, a paging network due to start next January in West Germany, France, Italy and the UK. A fully pan-European system, called Ermes, is likely to start in 1993.

There are also moves to create pan-European telepoint and private mobile radio systems, though these are still at early stages of development.

■ Mobile data is likely to become an important niche market. Already people are linking up their laptop computers to cell phones – the office in the car. The next step will be the combination of pocket computers, such as those made by Psion of the UK, with some form of mobile communications, probably paging – the office in the pocket. Much technical work, though, needs to be done to improve the quality of data transmissions over the air waves.

Satellite communications will be another niche market. The most important applications are probably communications from aircraft, and keeping track of long-distance lorries.

These developments in mobile services are reflected by tremendous ferment among mobile equipment makers. To satisfy customer demands, they are having to push forward the boundaries of technology.

First, the industry is switching from analogue to digital transmissions, which give better reception and allow more phone calls to be crammed on to a given part of the radio spectrum.

Second, higher radio frequencies are being used because the existing frequencies are becoming overcrowded.

Third, equipment is becoming smaller and cheaper. Relying on advances in semiconductor technology is not enough to achieve this, because mobile communications are also dependent on battery and radio technology which are advancing less quickly. As a result, attention is focusing on redesigning systems to make them cheaper – if necessary, by sacrificing features.

The switch to more sophisticated technology also throws up the possibility that companies which have thrived in the initial era of mobile communications will not be able to maintain their dominance in the future. Such a change could help European and US manufacturers in their battle against the Japanese.

The hope is that companies which are experts in military communications, such as GEC-Marconi of the UK, will be able to make an impact in the market because many of the new ideas in civil communications have already been pioneered in the military arena. However, the past record of companies turning swords into ploughshares is poor.

Although technology developments may help the Europeans, the creation of a mass market is more likely to be driven by the Japanese because of skills they have learned in promoting other mass-market products.

Such a threat was behind the alliance announced last month between Ericsson, the leading Swedish manufacturer, and General Electric of the US. Ericsson felt it needed a partner like GE, which has strong marketing skills, to build up a large enough position in the handset market.

Technology and competition are also threatening the positions of the established cellular operators. For most of the past year, the share prices of cellular companies on both sides of the Atlantic soared, but in June and July they collapsed as investors suddenly realised that the structure of the market was in flux.

The effect was most dramatic in the UK, where the Government announced its intention to license two or three new personal communications operators to compete with the two existing cellular companies. The established operators thought they were safe from competition because the air waves were already full, but advances in technology meant that previously unused higher frequencies could be opened up.

A further development which could undermine the position of the established operators is the interest now being shown in the US and UK in auctioning the air waves to the highest bidders. This would add to costs and facilitate the arrival of new competitors.

CONTENTS

Front page illustration: Robin MacFarlan

Della Bradshaw examines cellular communications in Europe

Wrangles hit flagship project

BILLED as the flagship project in the European Commission's harmonisation plans, the pan-European cellular radio scheme promised to re-establish European communications companies as world class electronics manufacturers. In practice the scheme, set up to be a model of European co-operation, is disintegrating into recrimination and mistrust.

From the consumer's point of view it looks as if the wrangles will not hinder the opening of the services on schedule in 1991. But one of the main aims of the project – to build up a strong European manufacturing base from which to export equipment and expertise – may be slipping from the grip of manufacturers.

The thinking behind the cellular radio project was to develop one mobile telephone network for the whole of Europe, run by individual operators in each country. That would mean a customer buying a car phone in, say, Munich would be able to use the same phone in Paris, London, Madrid or Oslo.

When implemented the scheme will be one of the most technically advanced in the world, and the first widespread *non-military application of* radio signalling which is digital – the language used by computers.

But the commercial interests of manufacturers involved in the scheme has proven the downfall of co-operation.

At issue is what should hap*pen to patents infringed by the* technical specification for the pan-European project. Should the patent rights be waived, or should those holding the patents be allowed to determine the terms for their use?

Motorola, the US electronics group, has been cast as the villain of the peace in the issue, but other manufacturers, such as Philips of the Netherlands, Ericsson of Sweden, and Alcatel of France also have patents which are affected by the new digital specification.

Manufacturers and telephone operating companies alike have now conceded that patent claims will not be waived. Instead, manufacturers are conducting a series of bilateral negotiations, which should result in agreements either to swap patents or to decide commercial terms for using them.

European companies are worried that Motorola, holder of a comparatively large number of patents, will insist that although European manufac*turers can use their patents on* home ground, they cannot sell systems incorporating them in the US and the Far East. That would destroy the export opportunities for European manufacturers, which could cut down volume production at home and result in higher *costs to the consumer.*

In addition to the patents issue European manufacturers have one other worry: that Japanese manufacturers, which have successfully wooed Britain's current generation of cellular phone users, could clean up in the digital phone market, too. Behind the pan-European scheme was the tacit understanding that Japanese manufacturers would be excluded. But manufacturers now acknowledge that although Japanese companies have won no contracts for the phone networks, they have ample time before 1991 to develop the phones themselves – an equally lucrative section of the market.

From the consumer viewpoint, however, manufacturers and operators are confident the scheme will go ahead as planned in 1991. "If anything, we're increasingly confident that the systems will be in operation on time," says Mr Mike Pinches, managing director of Orbitel, the UK equipment manufacturer. "My view is that the patents issue will affect the price of the equipment, as companies will have to pay royalties, but it will not put back the starting date."

The order programme, which is moving ahead on target, confirms that view. Most telephone operators in Europe have already placed orders for the first trial equipment – the validation systems.

And some operators - the ones which are likely to face severe congestion on their existing networks in the early 1990s, such as Racal Vodafone and Cellnet in the UK and France Telecom – have already placed contracts for the first operational systems.

Although one aim of the project was for those European manufacturers which had no experience in cellular to gain a foothold in this growing market, that does not seem to be happening. Those companies that have won orders so far are those which are already strong in manufacturing analogue equipment, such as Motorola, Ericsson and Nokia Mobira.

Motorola has supplied validation systems for the Scandinavian countries and West Germany, a pre-operational system for Spain and the first commercial phase system for Cellnet in the UK. Ericsson has supplied systems to Vodafone in the UK, France Telecom and the Swiss operator.

A consortium of AEG of West Germany, Alcatel and Nokia of Finland has also fared well, picking up orders from West Germany, France, Finland and Austria.

Newcomers such as Orbitel in the UK have been less fortunate. It has received one order from Racal (which is one of the joint shareholders in the company) and will supply some equipment under the deals signed by Ericsson and Matra in the rest of Europe.

One British export which looks more likely to succeed is the cellular radio entrepreneur. First off the mark are Mr Marc Albert and Mr Martin Dawes, both successful distributors of cellular telephones in the UK. They are setting up a European distribution network under the name Euro Cellular, and already have offices in France, Spain, Italy, West Germany and Switzerland.

Despite the flurry of activity in Europe for the digital system, demand for the existing analogue equipment is continuing to grow rapidly. In France the military authorities have

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CELLULAR RADIO SUBSCRIBERS IN EUROPE – June 1989

Country	Subscribers	Population (millions)	Penetration per 1,000
UK	650,000	56.6	11.48
Sweden	295,500	8.4	35.18
Norway	161,230	4.2	38.39
France	135,870	55.5	2.45
Finland	131,610	4.8	27.42
Germany	123,980	62.0	2.0
Denmark	112,830	5.2	21.7
Switzerland	51,540	6.0	8.59
Italy	46,850	57.2	0.82
Austria	44,250	7.6	5.82
Netherlands	43,400	14.5	2.99
Belgium	21,200	9.9	2.14
Spain	20,700	38.2	0.54
Ireland	7,570	3.5	2.16
Iceland	7,280	0.24	30.33
Portugal	1,400	10.5	0.13
Faroe Is	780	0.05	16.25
Cyprus	690	0.56	1.25
Luxembourg	400	0.37	1.08
Total	1,857,080	345.32	5.38

Source: European Mobile Communications

Roderick Oram on cellular communications in the US

Breathtaking expansion

FAR outstripping any other consumer boom that has gone before it, cellular telephone service continues to grow at a breathtaking pace in the US.

By all forecasts, the rate will accelerate dramatically over the next couple of years as three big factors come into play: even lower prices for telephones; the introduction of digital technology; and the start of service in rural areas.

From the start of US cellular service in 1984 the number of subscribers grew to 1.23m by the end of 1987 and 2.07m by year-end 1988, according to the Cellular Telecommunications Industry Association. The number is likely to top 3.2m by the end of this year.

Market penetration averages around 1.2 per cent of the population in metropolitan areas although it is well over 2 per cent in some of the most successful areas such as Los Angeles and New York City. The average rate should climb above 5 per cent by 1993 and 10 per cent by 1998, industry analysts forecast.

One of the constraints to growth has been the fragmented nature of the coverage. Unlike say Canada or the UK which allocated national franchises, the US issued licences in relatively small metropolitan areas. Thus, for example, a New Yorker travelling to his country cottage runs out of cellular service in rural areas.

The US picture will begin to change over the next couple of years as rural service begins in the US. The Federal Communications Commission is allocating two licences in each of 428 rural territories - one to a conventional wire-based telephone company and one to an independent cellular operator.

Now that every potential investors has seen the fabulous appreciation of metropolitan licences, the government lotteries for rural licences have all the rough and tumble of a frontier land rush. Each territory has attracted on average 700 applications for the independent licence.

The lotteries began last September but the crush of applicants will delay completion across the country until the end of this year at the earliest. Inevitably, frantic horsetrading and bargaining will ensue as free enterprise subsequently ensures ownership follows more logical patterns of service coverage. Some licences close to large metropolitan areas or in relatively prosperous and well populated areas could be worth around $40 per head of population, or "per pop" in the vernacular of the industry.

The average rural licences will cover some 150,000 people and together they will bring service to the 22 per cent of the US population as yet denied coverage. About half the rural areas will begin service by the end of next year and the rest by the end of 1991.

As service in metropolitan areas has matured, the value of the franchises has rocketed. Licences changed hands for as little as $80 per pop as recently as two years ago. British Telecommunications bought a 22 per cent stake in McCaw Cellular, the largest service company, this January at $128 per pop. McCaw is now offering between $275 and $300 per pop to take over LIN Broadcasting, the provider of services in hugely attractive cities such as New York. LIN is trying to fight off the offer by merging its cellular operations with those of BellSouth, the largest

One of the constraints to growth has been fragmented coverage

of the seven regional telephone companies. The combined BellSouth/LIN opeartion would be by far the largest provider of cellular services with nearly 500,000 subscribers.

As amazing as it might seem, analysts are forecasting that the per pop prices will rise even further as aggressive players such as McCaw chase after the few choice metropolitan licences still owned by companies willing to sell or vulnerable to takeover.

So far the industry has spent some $3.2bn on gearing up services. With the bulk of the investment behind them for first generation analogue systems, service providers such as McCaw are beginning to generate rapidly growing operating profits. Most independents such as McCaw borrowed heavily to build their systems so few are profitable yet after debt service. In contrast, the cellular operations owned by conventional phone companies are already contributing to group profits.

With a typical cellular telephone bill running at between $100 and $150 a month, service providers are beginning to rack up considerable revenues. The industry as a whole reported billings of $3.2bn last year, triple the previous year's figure.

In addition to the effects of brisk growth in subscribers, service providers are learning to enhance revenues in a number of ways. Most are tightening their credit policies and bad debt procedures and devising more flexible rates and service plans. Many are establishing their own installation and service centres.

But the biggest improvement to service quality will come with the introduction of digital services in the next decade. In January the US industry chose a digital standard which will split signals by time rather than frequency. Initially this will triple the available capacity but many believe further technology developments could bring a tenfold increase.

Much more capacity is needed in Los Angles and to a lesser extent New York. During morning and evening rush hours the failure rate of calls – either through an inability to get a channel or an impaired or disconnected call – is often well above the industry standard of one in 50.

Digital will also bring clearer, cheaper and more sophisticated services.

Digital services will be provided alongside existing analogue ones on the same wavelengths so no one's telephone will become redundant. But service providers will benefit from a dramatic reduction in capital costs. A digital cell site will cost about $1.5m to equip against about $1m for analogue equipment. But with triple the capacity, the cost per line will be halved to around $362.

On current trends, equipment costs will also continue to fall rapidly for users. Only three years ago clunky big cellular phones permanently installed in cars cost between $2,000 and $3,000. Now handheld portables are down to at least $500, or even lower during special promotions and are likely to be down to a few hundred dollars in another year or so. Prices of shirt pocket sized ones are now some $1,750 but will plunge in coming years.

Yet despite all these highly favourable trends, the first backlash against cellular phones is beginning to surface. A new nightmare for some people is being stuck in a Los Angeles traffic jam for a couple of hours with their car phones ringing constantly. Frustrated by the lack of peace and quiet and time to think, they are turning in their phones.

A worse tale is told in Yosemite National Park in California where cellular phone service is available in the main valley. Disgusted campers say their enjoyment of truly one of the most ravishingly beautiful mountain areas in the world is being ruined by the frequent ringing of phones from a few neighbouring tents.

Shares of US hand-portable market (%)

Brand	Dec '87	Dec '88
Motorola	22.2	36.3
NEC	34.3	16.8
Mitsubishi	3.6	16.4
Novatel	n/a	13.3
Diamond Tel	4.9	4.2
OKI	6.0	3.9
Technophone	9.3	2.8
Mobira	n/a	1.6
Gen Electric	5.8	1.0
Audiovox PC100	6.1	0.7
Hitachi	n/a	0.4
Radio Shack	3.9	0.3
USA Corp	2.2	0.1
Repco	0.7	n/a
Others	1.0	2.2

Source: Herschel Shosteck Associates

Shares of the US carphone market (%)

Brand	Dec '86	Dec '87	Dec '88
Uniden	n/a	7.8	14.2
Panasonic	4.8	10.7	13.8
Audiovox	26.2	19.2	13.0
Motorola	7.5	4.9	12.4
NEC	7.0	12.1	10.5
Mitsubishi	7.6	6.9	9.4
Oki	12.2	11.5	5.6
Diamond-Tel	2.8	6.0	4.9
Fujitsu	5.9	2.5	3.9
Mobira	0.5	1.9	2.5
Novatel	9.8	6.3	2.0
Nokia	n/a	n/a	1.5
Gen Electric	8.1	3.5	1.3
Radiant-Antel	n/a	n/a	1.1
Ameritech	2.7	1.5	0.6
Others	6.0	5.1	3.3

Source: Herschel Shosteck Associates

Chris Perry reviews developments in Japan

Rare financial bonanza

AFTER recent developments, even casual observers are probably convinced that Japan's cellular communications market represents a rare financial bonanza for those who can get in. With corporate titans such as Nippon Telephone and Telegraph (NTT), Toyota Motor and others stampeding to nail down turf, the key players clearly see the market as very promising.

And with reason. In 1987, NTT, then still a monopoly supplier, had 150,773 mobile phone subscribers after annual increases of 100 per cent throughout the early 1980s. Sales in fiscal 1988, lasting through April 1989, took NTT total sales to nearly 200,000 fixed and shoulder-type phones, with another 40,000 handheld portables.

With the introduction of new technology and more suppliers covering more territory, growth is expected to remain very strong. Mr Kiyoto Uehara, an executive director of InfoCom Research, forecasts that 10 per cent of all 6m cars in Japan will have a mobile phone system by the year 2000. Other market analysts estimate there will be 400,000 car phone subscribers by the end of March next year. More than 90 per cent of Japan's urban areas now offer continuous car phone service, according to NTT data.

Like most things in Japan, cellular telephones are not cheap. NTT's total installation charge comes to Y227,500 ($1,000) for customer owned car-mounted phones, with shoulder and handportable types running about Y50,000 less. not including insurance. On top of that are monthly charges of Y17,000 for car phones and Y24,000 for portables. If the customer deals with one of the new common carriers, the charges are about 25 per cent lower.

The first moves to develop the car telephone market began in 1976 when NTT first started up service in the Tokyo area. Things started slowly enough. In the early eighties, nobody took much notice because NTT had a monopoly and talk of introducing competition seemed insincere. In the event, competition was introduced with a vengeance. When telecommunications became a major topic for the US-Japan Market Oriented Sector Selective (MOSS) talks in 1985, the mobile phone market ended by being opened to foreign companies as well.

In the well-known Japanese tradition of trying to avoid excess competition, the Ministry of Posts and Telecommunications made it clear in 1986, when asking for applicants for licences to operate cellular telephone services, that it would award only one licence. That meant interested parties were encouraged to join a single consortium. For a long time, the Daini Denden consortium led by Kyocera and including the US electronics group, Motorola, was alone in the field. Then a second consortium, now called Ido Tsushin and backed by the leading motor manufacturers, including Toyota and Nissan Motor, emerged. Ritual efforts to merge the two failed, and the MPT had no choice but to issue two licences.

In a move that was guaranteed to lead to trouble in the future, the MPT divided the country into two areas, offering the heavily populated Toyko corridor, including Nagoya, to Ido, and the rest of the country to Daini Denden. *Normally, Nagoya would have* gone to Daini Denden but it was widely suggested at the time that Nagoya-based Toyota had lobbied successfully to have its home base in Ido's territory.

The MPT also agreed that the two groups should use different telephone sets that operated on different frequencies. Ido, which started offering services in December 1988, uses NTT base stations and handsets from several manufacturers, including NEC and Fujitsu, while Daini Denden uses Motorola equipment. The Ido system was also allocated frequencies all over the country so users of its telephones could roam where they liked, but Daini Denden was not given frequencies in the Tokyo area.

At the time, the US Government protested but, exhausted by the long struggle to make sure that Motorola was not squeezed out completely, it gave in. However, it wasn't long before it became clear that the Ido territory had about double the potential of the Daini Denden territory.

Early this year, Motorola, citing the spirit of the MOSS talks, pressed the MPT for frequencies to be made available in the Tokyo area so Ido could operate a service that would be able to use its mobile phones. The MPT refused, claiming there were no frequencies left, but then Motorola caught the ministry allocating frequencies to others and complained to the US Government.

When push came to shove last June in top level US-Japan negotiations, Motorola emerged a winner. Frequencies were found and Ido was suddenly able to adapt its system for Motorola telephones. For its part, Toyota recently announced that it would equip US export models of its new luxury-class Lexus LS400 cars with fixtures able to accommodate the Motorola carphone. But Motorola's victory also means confusion and delay in providing full car phone services to the area.

Mr Akira Murakami, spokesman for Ido Tsushin, says it *may take a year or longer* for Ido, with assistance from Motorola, to research and put together a system able to accommodate Motorola air interface specifications. But he also acknowledges the upside too. The stampede to build a smaller, better handset than Motorola's world leading Microtak will fire up competition among manufacturers and he sees a "bright, hot market in the near future."

Still, the companies have remarkably different views of their own prospects. Ido, which opened for business in December 1988, hopes to have 160,000 subscribers by 1995. Daini Denden, which began its first operations in the Osaka area last month, expects to win only 45,000 customers from that area by 1992.

Hugo Dixon discusses personal communications

Ferment in the industry

THE concept of personal communications was launched on an unsuspecting world by the UK government in January.

At the time, only the sketchiest of details were given about how this new system, which is intended to create a mass market in mobile communications, was to work.

Even now, it is unclear how the system will work, whether the technology will be ready on time, how it will carve out a position for itself in competition with other mobile and fixed telecoms services and whether it will really be cheap enough for housewives, shop assistants and schoolchildren to use it.

What is clear, though, is that the concept of personal communications has caused tremendous ferment in the mobile communications industry, not just in the UK but also in the US and Europe.

Some companies are excited by its opportunities; others dread the competition

Some companies are excited by its opportunities; others dread the competition it promises to bring.

Applications for two or three licences to run personal communications networks went in earlier this month and a decision is due to be made by the end of the year.

The applicants, which include most of the top UK electronics groups and leading telecoms players from continental Europe and the US, fall into four main consortia.

■ Mercury Communications, the only rival to British Telecom for fixed links, is taking a majority share of about 60 per cent in a group whose other leading player is Motorola, the US company which is the world's largest producer of mobile communications equipment. Telefonica, the Spanish telecoms operator, is part of this consortium and one other partner may eventually join. This group has already been promised a licence provided its bid is satisfactory from a technical point of view.

■ The General Electric Company of the UK is leading a consortium, called PCN One, with 30 per cent. Other members are BellSouth, the US "Baby Bell" telecoms operator with 20 per cent, Philips, the Dutch electronic group, with 5 per cent, and Kingston Communications, which runs the telecoms network in city of Hull, with 5 per cent.

Plessey originally had 30 per cent of the group, but since its takeover by GEC and Siemens of West Germany, its share is expected to be divided between the other members of the consortium.

■ STC and Thorn EMI, *both of* the UK, have teamed up with STET, the Italian telecoms operator, and US West, another of the Baby Bells.

■ British Aerospace has formed a consortium with Pacific Telesis, yet another Baby Bell, Matra, the French electronics group, and Millicom, a US mobile communications operators.

A number of ground rules have been set about how personal communications will work. They will operate in the 1.7GHz-2.3Ghz frequency band; they will be two-way systems; they will be "micro-cellular" systems with cell sizes of about 1km radius, which is smaller than normal cellular systems; operators will be allowed to link these smaller cells via radio links to larger overlapping cells; they will have to use systems based on either the GSM pan-European cellular standard or on DECT, the emerging European standard for next generation of cordless phones.

However, these ground rules still leave many questions unanswered. The main debate is over whether the new systems should include all sorts of clever bells and whistles or whether they should be engineered in as simple and cheap a way as possible.

One feature that many would like included is "handover", which would mean that calls were automatically passed on from one base station to the next without any interruptions when a caller was on the move.

The snag is that this would add to the cost of the infrastructure and the handsets

The main debate is whether the systems should include clever bells or whistles

because sophisticated computing and communications facilities would have to be built in.

A second question is over whether the networks should keep in contact with all handsets all the time, the method used in traditional cellular systems.

A cheaper alternative might be to use a paging mechanism to keep in contact with the handsets. These questions are also connected with whether a GSM or a DECT-based system is used.

How the technical questions are answered will determine the commercial positioning of personal communications. Some argue that customers will not want to use the system unless it has all the features of cellular; others say that, if it has all those features, it will not be able to undercut cellular

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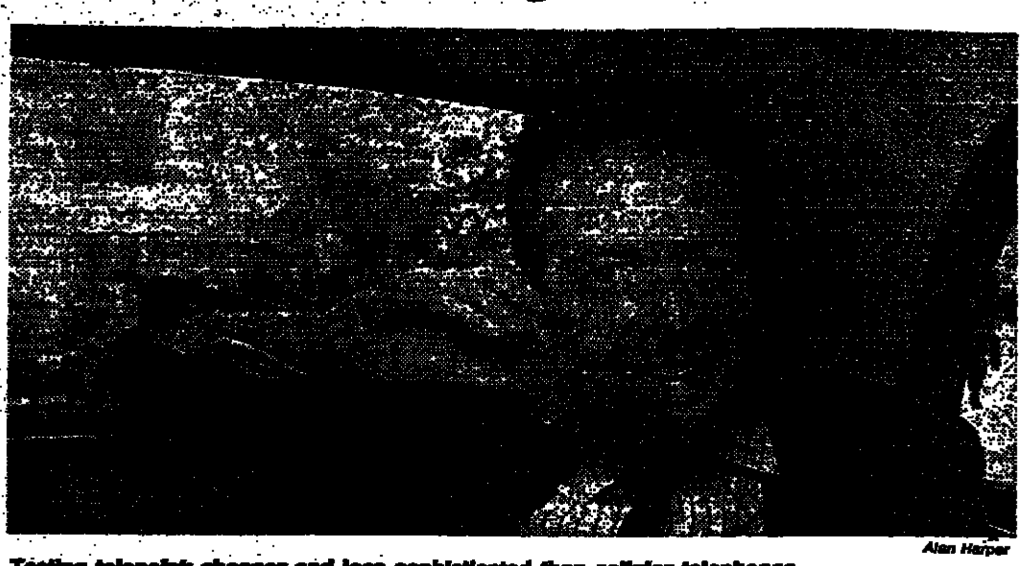
Della Bradshaw investigates the new telepoint system

Cheaper one-way service



Testing telepoint: cheaper and less sophisticated than cellular telephones

Alan Harper

FROM this month, the British public will face the onslaught of publicity aimed at persuading them to become part of a new élite — those subscribing to the latest portable telephone service.

Called telepoint, it will be cheaper and less sophisticated than the existing cellular telephones — every self-respecting yuppie's vital accessory. Now the bets are being placed to see whether telepoint will be as successful as its big brother cellular, and accrue the same high income for the operators.

Four operators have been licensed to provide telepoint in the UK, with one, the British Telecom-led consortium Phonepoint, already offering a commercial service. Two others, Ferranti Creditphone and Mercury Callpoint, should begin services before the end of the year, and the fourth, Byps, a consortium of Barclays Bank, Philips Electronics and Shell, during next year.

Predictions about the potential market for telepoint services range from the sublime to the ridiculous, depending on who is making the forecasts. What is clear is that although the telepoint companies are gearing up for a massive push in the UK, it is the adoption of telepoint outside the UK which is likely to be the strongest factor in its overall success.

The manufacturing volumes needed to lower costs will be available only if other countries — particularly European ones — are prepared to introduce the same services using the same standards. Only then will manufacturers be able to sell the phones for the targeted £50, as a mass-market product.

In Europe, the European Telecommunications Standards Institute (Etsi) is in charge of deciding standards for telephone services such as telepoint. So far it has given the UK telepoint standard, dubbed the common air interface (CAI), the cold shoulder. But a decision to adopt CAI could be taken in March 1990.

Meanwhile, two countries, France and West Germany, have already decided to go ahead with trials of services using the UK's CAI. If the services do go ahead in Europe, they could also help to push up purchase volumes in the UK, as a handset bought in one country could eventually be used in other states, giving a truly pan-European service.

Telepoint does have its restrictions. It is a one-way service, enabling its users to make calls but not receive them. Many critics believe this eliminates one of the most important uses of mobile phones, the ability to receive calls when not at a desk. They argue that phone users leaving the office for a period can generally plan their outgoing phone calls — it is the ability to take the unexpected incoming call that gives mobile phones their value.

Another limiting factor of telepoint is that the phones cannot be used on the move — making calls while driving along the motorway, for example. That is because telepoint was conceived as a sophisticated version of today's domestic cordless telephones — the phones where the hand-held unit is connected to the plug-in base by a radio link — rather than a downgraded cellular service.

With telepoint the cordless telephone principle still applies, with a sturdy version of the base plugged into the telephone networks in public places, such as railway stations, motorway service stations, high street shops or banks.

Public calls using telepoint handsets have to be made within 200 metres of the "base station", which will be indicated by a brightly coloured sign on a nearby wall or pole.

In addition, consumers can also buy a domestic base unit to plug into the telephone socket at home, and so use the handset to both receive and make calls like today's cordless telephones.

Just how quickly the number of public base stations grows will be one of the factors deciding which of the four rival UK services gains dominance. Phonepoint begins service with only 100 base stations and will not have 1,000 base stations until 1990. Ferranti is hoping to begin services by the end of the year with 1,000 bases and the Mercury consortium also plans to have several hundred base stations in commercial service by the end of the year.

One factor limiting the initial take-up of the service, is that the government has targeted the end of 1990 as the introduction of the CAI specification. Then, telepoint customers will not be able to use one phone on all the networks, subject to registration. But initially the systems will use non-standard systems, so once a subscriber buys a phone to work on one service, he or she will have to buy a second phone to use another service.

However, telepoint does have some significant advantages over cellular. In particular the subscription rates and call charges are considerably less — possibly as little as one third of the cost. Although the operators are using different charging structures, calls will work out at between 10p and 30p depending on distance and time of day.

However, because cellular tariffs are applied in just two zones — those made from inside or outside London's M25 motorway — customers with a lot of long-distance calls from, say, Glasgow, could still find cellular an attractively-priced alternative.

On the equipment side telepoint is also cheaper, with the handsets costing under £200, and the domestic base units — so that telephones can be used to receive and send calls from home — also costing about £200. Operators predict that the price will fall to well below £100 in the next few years, and eventually could drop as low as £50.

Another advantage of telepoint is that the handsets are considerably smaller than most of today's hand portable cellular radios, and stylishly designed.

Although telepoint is a one-way service, by the end of 1990 handsets could be available which incorporate a radiopager, so that users could be "bleeped" when someone wants to talk to them. They can then rush to the nearest public base station to make the call. In the meantime one of the prime targets for telepoint operators will almost certainly be the sales people and other off-site workers who already use radiopagers to keep in touch.

Hugo Dixon examines valuation procedures for companies

Roller-coaster for investors

INVESTORS in cellular phone companies on both sides of the Atlantic have been on a roller-coaster during the past year.

Racal Telecom, the UK's largest mobile communications company, was floated on the London Stock Exchange last October at 170p a share, valuing it at £1.7bn. Over the following winter and spring, its share price rose rapidly to a peak of 557p. It then fell dramatically during the summer to just over 300p. In recent weeks, the price has recovered to nearly 400p.

In the US, the swings and roundabouts have been almost as extreme. The tone was set last January when British Telecom spent $1.4bn for a 20 per cent stake in McCaw, a large but loss-making cellular group.

The peak in the market was reached in June, when McCaw made a $6bn bid for LIN Broadcasting, one of its largest rivals.

Racal Telecom's share price was pushed up by the developments in the US, because American investors own most of the 20 per cent of Racal Telecom's shares that are not owned by Racal Electronics.

Similarly, when investors in late June began to register the impact that the UK government's decision to inject competition into the mobile communications market would have on Racal Telecom's business, American cellular share prices were hit.

The root of the problem is that the traditional price-earnings method of valuing companies cannot apply to cellular companies. First, few of them are making profits, meaning that a price-earnings ratio is meaningless; second, the industry is growing so rapidly that price-earnings ratios would not fully capture the potential of the companies in it.

The Americans therefore developed an alternative method, called the "price per pop" approach. The essential idea was that the value of a cellular company was the concession that it had been given by its government to run mobile services in a particular area.

The bigger the area, measured by the size of the population that inhabited it, the more valuable the concession was considered. It was thought that the "price per pop" — the value of the concession divided by the number of people in the area — should be roughly the same in areas with similar socio-economic conditions.

The price-earnings method cannot apply to cellular companies

When BT bought into McCaw, it paid $138 per pop. When McCaw bid for LIN — a bid which now seems to have run into the ground — it offered nearly $300.

Sophisticated exponents of the per pop method always accepted that it was only a shorthand. The fundamental justification of a per pop valuation was a company's discounted future cash-flow.

However, the expectations of future cash flow were thought to translate rather neatly into per pop valuations because of the special structure of cellular markets. Cellular services can only be offered if the company has access to the radio spectrum; but because the radio spectrum is finite and already rather crowded, governments in both the US and the UK originally decided to license only two companies in each area to provide the services.

It therefore looked as though the lucky licensees had, indeed, been given a concession which guaranteed them half of particular markets. Since there were only two players and the limits on the radio spectrum meant that there was no real chance of gaining much more than a 50 per cent market share, there was no incentive to cut their prices. High prices, a fast-growing market and no new competitors seemed a recipe for financial success.

The snag, though, was that the structure of the market was not set in stone, as was shown most dramatically when the British government announced that it planned to license two or three groups to provide "personal communications" services. These licensees, which will be chosen later in the year, are designed to compete both with the existing cellular players and the ordinary fixed network.

When more competitors are introduced, the assumptions of the per pop method fall away. Not only can the existing players no longer count on maintaining 50 per cent market shares; it is also unlikely that they will be able to keep their prices up, because new entrants will be forced to cut tariffs to attract customers.

One reason the per pop enthusiasts failed to see this threat was that there were no radio frequencies left in the waveband being used by the existing cellular operators. However, advances in technology meant that parts of the radio spectrum which were not suitable for mobile communications several years ago are now usable. Personal communications, for example, are scheduled to be launched in the 1.7GHz-2.3GHz range, whereas normal cellular services are offered at the lower 900MHz level.

At present, only the UK has committed itself to personal communications. However, it is probably only a matter of time before other countries adopt either personal communications or some variation of it.

A further factor which could harm the prospects of cellular companies is the renewed interest being shown in both the UK and the US in auctioning parts of the radio spectrum to the highest bidders. The idea is that, since the air waves are a scarce resource, they should not be given away but rented to whichever company offers to pay the most.

The US developed the "price per pop method" of valuation

A willingness to pay large amounts of money would be an indication that the company had the most effective plan for exploiting the resource. However, any such move would add to cellular companies' costs and so undermine profitability.

Nevertheless, it would be wrong to ignore the advantages that the existing companies have over new entrants. New systems such as personal communications will not be serious competitors until the mid-1990s, by which time the incumbents will have attracted the best customers.

And, as mobile communications spread across the globe, companies like Racal Telecom are in an excellent position to win shares of foreign markets because they have valuable expertise which they gained at home.

Ferment in the industry

Continued from Page 2

prices and so people will not want to use it because it is too expensive.

Since personal communications is designed to operate in a higher frequency range, which until now has only been used for military communications, it has some way to go before commercial products can be created.

Some observers therefore doubt whether the systems can be ready to go into operation in 1993, the UK government's target. Delays could be considerable if a DECT-based standard rather than GSM is used, because DECT is still only in an embryonic stage. On the other hand, there are fears the rest of Europe could turn its back on personal communications unless DECT is used, because several European companies had been hoping DECT systems would develop in the 1.7GHz-2.3GHz range.

If the rest of Europe boycotts personal communications, it could be difficult for the UK on to build up sufficient volume to drive down costs. This is why the major consortia applying for licences have been keen to include a major continental player in their groups.

The design of the systems will also affect whether personal communications ends up mainly as a competitor to cellular or, as some hope, a competitor to the fixed network. The idea is that, if personal communications are sufficiently cheap, ordinary customers will no longer need a fixed wire going into their homes.

Flagship project hit

Continued from Page 1

had to follow their UK counterparts by releasing little-used radio channels, earmarked for military use, for use on the Radiocom 2000 mobile radio network.

There are 185,870 subscribers on the French network, according to the European Mobile Communications report, but about a third of them are based in Paris.

The German government also plans to launch a second service to the one operated by the Deutsche Bundespost before the digital system comes into operation.

Meanwhile, just to prove that mobile radio is a boon to people in remote and isolated locations, Iceland has lost its crown as having the fastest growing number of cellular radio subscribers per head of population. The usurper? The Faroe Islands. More than 16 per cent of the 50,000 population are now equipped with a cellular phone, and the number is rising rapidly.

RADIO-PAGING

Mature service

AT THE beginning of this year the European radio-paging industry received a sharp indication of the degree to which it has matured, when the number of people subscribing to public radio-paging services was overtaken for the first time by the number using the newer but faster-growing cellular telephone services.

The subscriber gap between the two technologies has widened, in spite of cellular telephones costing more to buy and to use. In July there were about 1.85m cellular subscribers in Europe compared to about 1.58m paging users, according to figures collected by Mobile Communications.

There are some indications that competition from cellular, which offers a high-profile two-way service more readily understood by subscribers, has already had a depressing effect on Europe's paging markets.

But in the US and Japan, where the penetration of pagers is much higher, paging is still ahead. There were about 7.5m paging subscribers in the US at the beginning of this year, compared with 2.2m for cellular. Japan had 3.4m paging users at the beginning of March, compared with 183,000 cellular customers.

In spite of its relative maturity compared with many other mobile businesses, paging is still growing more quickly than most other telecommunications services. The number of European subscribers, for instance, is expected to more than double by the end of 1993.

Much of this growth is fuelled by the growing attraction of alphanumeric and numeric pagers, which can provide much more sophisticated services than traditional tone-only pagers. An alphanumeric pager, which displays letters and numbers, can for instance tell a mobile businessman his next meeting has been re-arranged, and can give him the new time and location. Mr John Okas, Motorola's marketing manager, says most tone-only pagers would merely tell the businessman to call his office.

The attraction of these advanced pagers is growing as they become smaller and cheaper. Motorola is next year introducing a wristwatch pager developed in co-operation with Timex.

This device, which combines the functions of a numeric pager with those of a digital watch, weighs less than two ounces and will sell for about $300. A wristwatch pager has also been developed by American Telephone and Electronics (AT&E) of the USA in co-operation with Seiko.

The UK – which is still the largest radio-paging market in Europe with about 640,000 users, divided between seven operators – has had alphanumeric paging services for several years. They account for about a fifth of all new subscriptions. The newest of the UK services, launched this year by Millicom, provides only alphanumeric and can be used to send 1,550-character messages.

The first French service to offer alphanumeric services, the PTT's Alphapage, was launched at the end of 1987. The West German equivalent, Cityruf, went into commercial service only this spring, and had 1,500 subscribers in July. This year of the first alphanumeric services were launched in Belgium, Luxembourg and Spain.

Operators in the four main European countries – the UK, France, West Germany and Italy – plan next January to launch Euromessage, a multi-national paging service. This will be a digital alphanumeric system which will allow messages of up to 80 characters. Subscribers from one country will be able to use the same equipment in any of the other three.

In the UK, the service will be run on a new network which is being built in the south-east by a consortium of six companies – Air Call, BT, Digital Mobile Communications, Inter-City Paging, Millicom and Racal Telecom. This network will be linked with similar networks in the three other countries – Alphapage in France, Cityruf in West Germany and Teledrin in Italy.

Euromessage is a forerunner of the more ambitious European Radio Message System (Ermes), the pan-European digital paging network backed by the European Commission and the European Conference of PTTs, which is intended to become operational in January 1992. Consultants BIS Mackintosh forecast that Ermes will have 60,000 users by the end of the first year, and 215,000 by the end of 1993. The commission has told member states to clear 200KHz of spectrum for this network in time for the start of service.

Neil McCartney

The author is co-editor of Mobile Communications, the Financial Times newsletter

SATELLITE

A flying start

SATELLITE-based mobile communications systems, which have been serving the maritime industries since the early 1980s, have finally begun to penetrate the aeronautical and terrestrial markets.

Last February, British Airways initiated the long-awaited commercial trial of Skyphone, the satellite-based telephone service designed by British Telecom International for use on aircraft. Passengers on the BA Boeing 747 which carries Skyphone equipment are able to make direct-dial telephone calls to almost anywhere in the world for $9.50 a minute.

Skyphone – which is run by BT and the PTTs of Norway and Singapore, and is being offered to several other airlines – uses the satellites of the International Maritime Satellite Organisation (Inmarsat), the international agency of PTTs which provides satellite telecommunications services to 9,000 mainly sea-based users such as ships and oil rigs.

Inmarsat says that from next year it will be providing satellite capacity for aeronautical services as fast as equipment is installed on aircraft. This capacity will be used by several other operators planning to launch rival services to Skyphone – including a consortium set up by the International airline co-operative organisation, Société Internationale de Telecommunications Aeronautiques (Sita) together with the telecommunications carriers Teleglobe Canada, France Telecom and OTC of Australia.

Inmarsat is also starting a mobile satellite system intended for land-based customers and maritime users. The system is based on the use of the 12-inch diameter Standard-C portable terminal, and can be used to provide two-way data messaging, position-finding and emergency-alerting capabilities.

The agency expects the aeronautical and land sectors to expand quickly alongside its traditional maritime business, and has reorganised its London-based directorate to create three business divisions to handle each of the mobile markets. It forecasts that it will be serving 500,000 land mobile users by the year 2000, alongside 15,000 to 18,000 aeronautical users and 90,000 to 100,000 maritime users. Maritime services will probably account for about half the total traffic.

However, the potential for satellite-based services is particularly difficult to quantify because their use is and is likely to continue to be confined to niche markets. Satellites are an ideal means of providing communications services to ships and aircraft during those parts of their journeys spent out of sight of land. But their role in the provision for land-based services is less clear.

Mr Olaf Lundberg, director general of Inmarsat, admitted at last year's Financial Times conference on mobile communications that satellites will never be able to compete with terrestrial cellular telephones in terms of cost. This means that the potential clients for satellite-based voice services are those for whom cellular services are not available or are not suitable.

In the mid-1980s it was expected by some observers that cellular telephony would be primarily an urban service in many countries, and would be too costly to extend into rural regions. It was thought that substantial areas would have to be covered by satellite services. But the unexpectedly rapid growth of cellular has meant that in the industrialised countries the only regions not covered are likely to be those of trivial population density. Even in the less developed countries, the advance of cellular is reducing the potential market for satellite services.

However, other parts of the market, such as the long-distance transportation sector, still seem likely to provide considerable demand for land mobile satellite services. The owners of truck companies are examining headquarters-to-vehicle communications systems to improve efficiency, to reduce repair and maintenance time and to keep track of location and movement.

While cellular telephones could be used for some fleets, they would not be appropriate for vehicles which regularly cross international frontiers, which are not always in range of cellular, or which travel to countries where cellular telephones are less widespread.

The need to serve the long-distance road-haulage market was a key factor in this year's agreement by the European Conference of PTTs (Cept) that its members should establish a land mobile data service. Cept has decided initially to use the Standard-C system – but it is still possible that the PTTs will in future adopt the rival Prodat system developed by the European Space Agency.

Neil McCartney

Peter Purton on infrastructure

A bill for rights

WHEN Mr Mike Pinches, managing director of the UK's major mobile phone system maker Orbitel, noted earlier this year that the first major beneficiaries of the Groupe Speciale Mobile (GSM) pan-European digital cellular system might be the legal profession, he raised a few smiles. The smiles, however, masked the seriousness of a dispute which has been dragging on for more than a year, of which

The dispute is about the rights over the technology on which GSM implementations are to be based – the so-called intellectual property rights or IPRs. The manufacturers believe that because they created the technology, they should be allowed to do with it as they will. The service providers are unwilling to allow themselves to be put in a position where they can be held to ransom by a single supplier. And neither of the two groups wants to see themselves held responsible for violating anybody else's IPRs in the process of implementing a GSM system.

In 1988, the service providers sought unsuccessfully to impose a solution by getting all suppliers to sign a standard IPR agreement designed to indemnify them from all IPR claims and to oblige the manufacturers to allow free use of relevant IPRs in the interest of creating an open mobile phone standard.

One manufacturer held out to see its IPRs were simply not given away. Motorola had invested a lot of effort and amassed a lot of expertise in the field. But, perhaps more importantly, Motorola comes from the US where IPRs have been a hotly debated issue for some time.

Mr Ted Beddoes, technical director of UK cellular operator Racal Vodafone and, for the past six months, chairman of the service operators committee seeking to extract an agreement from the suppliers, believes this was a key factor in the development of the IPR dispute. "If Motorola hadn't been involved, there probably would have been a gentlemen's pact," he notes.

Once Motorola made its position known, however, the other manufacturers began to review theirs. Philips Radio Communications Systems, in particular, which holds patents in the crucial voice encoding area of the GSM specification, also spoke up in defence of its IPRs. "Even some of the service suppliers claimed some IPRs," remarks Orbitel's Pinches.

This summer, the service operators finally gave up trying to have a standard form of IPR agreement. Instead they agreed on a set of principles to be incorporated into individual agreements. These include measures to:

- Ensure an open standard for Europe by sharing use of IPRs by suppliers on a "fair and reasonable" basis;
- Allow manufacturers to market their IPRs according to commercial considerations outside Europe;
- Indemnify the service operators from claims over IPR infringements; and
- Open up use of IPRs held by service operators.

Ironically, the effect of this agreement may have been to take the spotlight off Motorola and shift it to European companies. The US company may now be the closest to signing agreements based on the Memorandum of Understanding (MoU) group's proposals.

There is consensus that the IPR dispute will not delay the introduction of GSM in 1991. However, the real impact of the whole IPR dispute, in the eyes of many, may not be on the GSM itself but on the way pan-European technologies are to be handled in the future, notably Telepoint, Digital European Cordless Telephone (DECT) and the European Commission sponsored RACE personal communicator. As Racal's Mr Beddoes puts it: "Now this has happened it may well be regarded as a precedent for other issues."

Handset manufacturers

Portable push

"THE winners in this business in the competitive 1990s will be the global and technological leaders," commented Mr Eugene Murphy, senior vice-president of General Electric, *at the recent signing of* his company's cellular joint venture agreement with Sweden's Ericsson. His remarks highlight the fact that in the mobile telephone business there is no room left for suppliers satisfied with meeting the needs of national markets.

In less than seven years cellular has developed from a specialised market to a mass electronics market. Cellular market analysts European Mobile Communications of Kingston-upon-Thames estimate there may be as many as 6.5m cellular users worldwide by the end of the year. According to technology consultants Arthur D Little, one in five telephone lines installed in the US last year was a cellular mobile phone. In the UK it was better than one in four and in Sweden it was one in two.

These are conditions which are ideal for the globally minded electronics manufacturers and act to the detriment of their smaller counterparts.

The introduction of the Groupe Speciale Mobile pan-European digital cellular system in the 1990s, originally designed to give European industry an advantage, will probably also increase the predominance of global suppliers of cellular handsets. "If you have a pan-European market it must work to the benefit of the multinationals because they are the ones who can best exploit the advantages of economies of scale," comments Mr Mel Ziziros, principal of Marlborough-based market analysts MZA, who are currently preparing a report on telecommunications across Europe.*

"Even today, the UK market is dominated by three major manufacturers; Motorola, NEC and Panasonic," says Mr Ziziros. The only exception to this, he notes, is the UK's Technophone, a small start-up which has grown big with the success of cellular. "In Sweden," notes Mr Nigel Cawthorne, principal of European Mobile Communications, "Technophone has managed to gain 13 per cent of the new NMT900 market – that's only just behind market leaders Ericsson (15 per cent) and Storno (14 per cent)."

The secret of Technophone's success has been the company's anticipation of the importance of the handportable mobile phone.

Handportables now account for one in three cellular handsets sold in the UK, according to Mr Cawthorne. The interest in personal cellular telephones has given rise to the concept of the personal communications network as proposed by the UK's Department of Trade and Industry. Observers say, however, that personal communications networks will be a double-edged blade for handset makers.

"Our view is that personal communications networks (PCN) will slow the growth of the cellular market virtually to a standstill," notes MZA's Mr Ziziros. His company's research suggests that provided PCN is marketed with usage tariffs close to those of the ordinary telephone network – which he believes will be necessary for its success – from this year onwards the growth of sales in the UK cellular market will slow dramatically (from 96 per cent in 1988 to just 57 per cent in 1989 to zero growth from 1994 onwards).

However, he says this is not altogether bad news for handset makers. "PCN handsets will more than take up the slack." And the leading manufacturers of that equipment are likely to be the same companies establishing a global position in today's handset market.

**The European Telecommunications Market to 1995*, published by MZA, 10 The Parade, Marlborough, Wiltshire SN8 1NE, UK. Tel 0672 56144. Fax 0672 56137.*

Peter Purton

LONDON STOCK EXCHANGE

Little recovery in sluggish equities.

Account Dealing Dates			
*First Dealings:	Sep 4	Sep 18	Oct 2
Option Declarations:	Sep 14	Sep 28	Oct 12
Last Dealings:	Sep 15	Sep 29	Oct 13
Account Day:	Sep 25	Oct 9	Oct 23

*New time dealings may take place from 9.00 am two business days earlier.

TRADING ON the London stock market virtually ground to a halt yesterday as investors surveyed the outcome of last week's selling bout and showed little sign of regaining confidence. Warnings from British industry of weakening order books combined with threats of strike ballots by engineering workers to depress the mood in a stock market already fearing a shakeout in prices.

Traders refused to be impressed by the market's relative success in turning an early loss into a final gain of just over 5 Footsie points. They pointed to the low level of Seaq volume, at 315.3m shares for the session, compared with 726.6m on Friday and other relatively high daily totals earlier last week. Market analysts estimate that share volume must average around 700m shares daily to enable marketmakers to break even.

Equities opened on the downtack, with the leading indices depressed by a number of ex-dividend quotations among the market leaders. Reports that Ferranti, the UK defence electronics firm which last week asked for a share suspension, could lose its independence, acted as a further dampener to investment sentiment. While not a member of the Footsie list, Ferranti is widely held by domestic and some international investment funds, and its misfortunes could mean losses for fund managers.

The FT-SE was 8 points down in early trading, but when there was no renewal of last week's selling, prices began to steady and then to edge higher. There was little substance behind the improvement, however, and the firmness of the Footsie Index leaned heavily on gains in Glaxo, ahead of today's profits statement, and in a handful of other blue chips. At the close, the FT-SE Index was 7.3 points up at 2,373.8, a somewhat unconvincing rally in a market which lost nearly 60 points last week. London benefited from a firm start on Wall Street.

Concern was expressed over the latest survey of British industrial opinion by the Confederation of British Industry (CBI), which confirmed that order books have continued to slacken. The equity market's nervousness over domestic wage pressures was not helped by the plans of the UK engineering trade unions to seek strike ballots at four leading UK companies in pursuit of their campaign for a 35-hour working week.

However, market strategists drew some comfort from the absence of selling yesterday. Unwillingness on the part of big investment funds to part with stock has acted as a brake on market setbacks over the past few months. Nonetheless, with many equity analysts predicting a shakeout in the market, traders were disturbed last week to see signs of selling programmes among the top alpha stocks.

FINANCIAL TIMES STOCK INDICES

	Sep 18	Sep 15	Sep 14	Sep 13	Sep 12	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	85.86	85.88	85.94	86.08	86.04	86.50	89.29 (6/2)	83.75 (14/8)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.20	96.64	96.61	96.65	96.73	95.62	99.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1958.9	1949.7	1955.8	1950.1	1950.6	1418.6	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	204.1	207.1	204.6	205.4	205.9	164.4	207.1 (15/9)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2373.8	2366.5	2382.0	2401.5	2387.8	1759.9	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.09	4.11	4.05	4.05	4.02	4.64				
Earning Yld % (full)	9.87	9.92	9.85	9.78	9.88	12.20				
P/E Ratio (Net)(*)	12.21	12.15	12.23	12.32	12.47	9.94				
SEAQ Bargains (5pm)	21,430	30,678	26,190	25,149	26,470	17,796				
Equity Turnover (£m)†	-	1352.55	1400.31	914.75	928.69	748.85				
Equity Bargains†	-	31,992	26,519	41,481	25,728	19,303				
Shares Traded (ml)†	-	654.1	529.3	372.3	443.3	295.5				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. * Nil 12.10

Ordinary Share Index, Hourly changes — Day's High 1959.7 — Day's Low 1943.9

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1949.7	1956.2	1957.5	1957.4	1957.5	1958.3	1959.2	1957.2

FT-SE, Hourly changes — Day's High 2373.8 — Day's Low 2358.3

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2358.3	2369.9	2370.8	2371.4	2371.9	2373.0	2372.9	2370.8

S.E. ACTIVITY

Indices	Sep 15	Sep 14
Gilt Edged Bargains	82.4	80.6
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A
5-Day average		
Gilt Edged Bargains	80.3	80.3
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A

SE Activity 1974. †Excluding intra-market business & O'seas turnover. London report and latest Share Index Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
Boots	1,100	307	+4
Brit. & Comm.	1,300	147	-3
Brit. Aerospace	1,300	638	-2
British Airways	1,500	215½	
British Gas	12,000	205½	-2
British Land	156	372	+5
BP	6,800	318½	+3¾
British Steel	2,800	142½	+½
British Telecom	4,200	276¼	+5¼
Burmah Oil	357	627	+6
Burton	1,600	248	+3
Cable & Wireless	838	575	+5
Cadbury Schweppes	809	400	+1
Carlton Comms.	465	933	+5
Commercial Union	2,600	461	+2
Cookson	145	338	+1
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	902	595	+1
Hammerson "A"	13	903	+1
Hanson	7,600	221½	+3½
Harrisons & Cros.	1,000	170	
Hawker Siddeley	429	747	+10
Hillsdown Hldgs.	1,100	312	+4
IMI	199	248	+2
Imp. Chem.	366	1281	+5
Inchcape	561	299	+1
Jaguar	934	405	+6½
Kingfisher	166	339	+3½
Ladbroke	601	337	+4
Land Securities	544	572	+6
Laporte	35	513	+1
Legal & General	516	353	-1
Lloyds Bank	1,300	414	+2
[illegible]	[illegible]	[illegible]	[illegible]
Prudential	1,100	201	+1½
RHM	508	450	+2
RMC	114	699	+3
RTZ	1,500	556	+1
Racal	1,100	228	-1
Rank Org.	145	943	+5
Reckitt & Colman	102	1218	+4
Redland	197	567	-2
Reed International	964	432	+2
Reuters	155	938	+1
Rolls Royce	4,290	192	-1½
Rothmans	175	647	+2
Royal Bk of Scotland	137	175	-1
Royal Insurance	1,300	466	+6
STC	340	369	+5
Saatchi & Saatchi	213	318	+2
[illegible]	[illegible]	[illegible]	[illegible]
Taylor Woodrow	137	292	+1
Tesco	2,000	211	+5
THORN EMI	444	851	+4
Trafalgar House	539	390	-1
Trusthouse Forte	486	347	+1
Ultramar	541	344	
Unilever	1,100	643	+8
United Biscuits	968	391	+3
Utd. Newspapers	202	496	-1
Wellcome	691	668	-6
Whitbread "A"	142	386	+3
Williams Hldgs.	208	270	+1½
Wimpey	214	276	+2

Market optimistic on Glaxo

The stock market continued to take a confident stance ahead of Glaxo full-year figures, due today, fully confirming the steady upward trend shown in analysts forecasts over recent months.

Dr Arnab Banerji at Citicorp Scrimgeour Vickers topped most other analysts' forecasts, bunched at just over the £1bn mark, by predicting a figure of £1.08bn. He is looking for a good contribution from the company's bond investments – it has an investment portfolio of around £1bn – as well as a continued strong contribution from Zantac, the world's best-selling drug.

Investment income was highlighted as a possible source of surprise by Mr Steve Plag of BZW. He also echoed market stories that there might be a share split – dealers suggested one for four – to be announced with the figures. Mr Plag stuck by his forecast of £1,005m although, in common with other analysts, said he would not be surprised if this figure was exceeded.

Ms Julie Tulloch at Hoare Govett is on £1bn and looked forward to the statement from Mr Ernest Mario, the company's new chief executive, while Mr Ian White of Kleinwort Benson stayed with his £1,010m prediction despite, he said, having been the first analyst to predict more than £1bn.

Glaxo shares held on to early gains to close 24 better at 1586p in thin trading.

Dalgety profits

Dalgety, the food manufacturer which has been the subject of occasional takeover speculation since Mr Robert Holmes à Court, the Australian financier, acquired a 5.2 per cent stake earlier this year, pleased the market with a set of full year earnings figures that beat most expectations. News of the 10.8 per cent profits improvement helped the shares add 4 at 407p in modest trade.

In spite of this, news analysts warned that the rate of earnings growth is likely to slow. Carl Short at Kitcat & Aitken described the figures as "very good in a difficult year, although profits growth was helped considerably by an exceptionally good performance from Dalgety Farmers in Australia, which will be difficult to match in the current year."

The lower than predicted tax rate also confounded analysts, who now expect it to return to 32 per cent in the current year.

The outlook for the shares remains modestly bullish, with yield funds expected to buy the stock for the 10p net dividend due on October 16. However, hopes that Mr Holmes à Court will make a bid for Dalgety Farmers appear to be fading given that he recently bought Sherwin Pastoral, a local agribusiness similar in type to the Dalgety subsidiary.

Approval for Lloyds

A rather modest price rise and only moderate turnover in Lloyds Bank was said by dealers and bank sector specialists to have masked general approval by the market of Lloyds' sale to Daiwa, the Japanese bank, of its US commercial banking interests.

Lloyds announced it had sold the US unit, which comprises 15 offices employing some 170 staff, to Daiwa for its asset value plus $200m. At the end of last year the assets were put at around $1.4 bn.

Hailing the deal as another example of the commitment of Mr Brian Pitman, Lloyds chief executive, to maximise shareholder value, Mr Christopher Wheeler of Shearson Lehman described the move as "fundamentally good for Lloyds." The Shearson analyst said the deal would boost Lloyds' capital ratio from a half-year figure of 8.7 per cent to 9.3 per cent.

At the close, Lloyds Bank shares were 2 firmer at 414p, after 415p, with turnover of 1.3m well below usual levels in the stock.

Hanson was one of the few stocks to clock up good volume on Seaq. Some 7.6m shares changed hands including two trades of more than 1m shares which, dealers said, were agency crosses. The opening of Wall Street saw renewed US buying after a lull last week and the shares closed 3½ better at 221½p.

US selling upset SmithKline Beecham but produced good volume compared with the generally thin trade elsewhere. The "A" shares slipped 3 to 591p, unsettled by suggestions that a US analyst had produced a bullish report on Genentech's heart drug Activase, a potential rival to SKBeecham's Eminase. Genentech was trading marginally firmer at $22⅞ early yesterday.

Unilever firmed 8 to 643p as arbitrageurs moved in to narrow a 7 per cent discount to the "NV", which closed barely changed at $45¾. "When the discount gets past 5 per cent, it's worth switching," said one analyst.

A US broking house was said to have bought Blue Arrow shares around the market; helping the price add a penny at 107½p.

LASMO shares were easily the best performing of the leading oil issues with the stock finally up 13 at 542p on turnover of 1.6m shares, well above normal levels. Dealers and specialists pointed out the usual reasons for institutions buying the shares but failed to put forward any new arguments.

"Everyone has been talking about the recent good figures, the good dividend and the current drilling programme that is full of exciting possibilities, but that doesn't seem to be the reason for the latest sharp rise," said one trader.

It was also said that there had been institutional switching out of Enterprise and into LASMO, while another story was that the recent BP deal with Oryx had significantly revalued LASMO assets.

BP were well supported, closing 3¾ higher at 318½p on 6.8m with analysts said to be increasingly happier with the recently announced reorganisation.

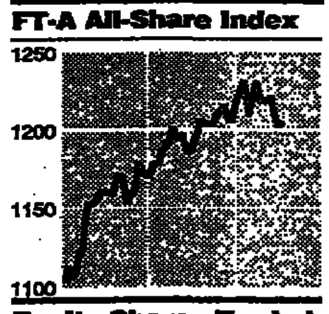
Sovereign Oil and Gas edged up 2 more to 218p ahead of the results and also reflecting the recent bid speculation.

The recent rise in the tea price continues to prove a source of strength to selected overseas traders, in particular James Finlay and Chillington. Last week at the London auction the price of tea rose by 10p to 110p per kilo, and yesterday that momentum was maintained as the price added a further 10 to end at 120p per kilo.

"The outlook for tea is very bullish at the moment, according to Mr Stephen Qualie of Sheppards, because of shortages in the international market sparked by India's decision to increase the amount of tea available on its home market, the Soviet Union's heavy purchases on the world market because of its own poor tea crop, and the sharp fall in Sri Lankan tea production because of political unrest.

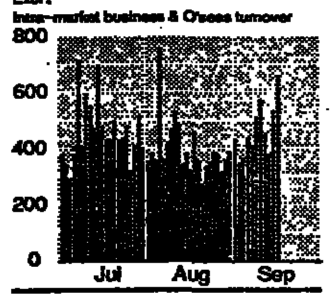
Mr Qualie believes this is all good news for James Finlay, and to a lesser extent Chillington. He calculates roughly that every 10p improvement in the tea price over a year can add about £3m to James Finlay's pre-tax profits. Given that Sheppards forecasts profits of £14m this year for James Finlay, the recent rise in the tea price could boost earnings substantially. Shares in James Finlay ended 4 better at 129p and Chillington 3 better at 159p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excl: Intra-market business & O'seas turnover



Another overseas trader, Inchcape, edged higher to 299p after reporting a 26 per cent rise in half-year profits to £86.8m.

On the life stocks BZW says this sector "is probably the most vulnerable to a bid, adding that "London and Manchester may soon be due for a run." County suggests a switch out of Refuge – "not the sector's most likely bid candidate" – into London & Manchester.

The buy notes boosted *London & Manchester 12 to 309p*, while other lifes to move sharply better included Refuge, which jumped 12½ to 564p xd, after comment on the recent sale of Peel Holdings' 4.9 per cent stake to Athena, the French insurance group. Britannic, which has a 7.3 per cent stake in Refuge, jumped 10 to 488p.

United Friendly advanced 45 to 830p after the sharply increased interim dividend. Insurance brokers extended their recent good run, with Willis Faber closing 6¼ ahead at 229p xd, and Sedgwick 5 up at 258p xd.

Switching out of Lloyds into NatWest gave a big fillip to the latter's recently lack-lustre share price which gained 6 at 341p on 2.6m. Standard Chartered remained unusually active, with another big agency cross – 1.1m shares – moving through the market, after last week's late burst of activity. At the close Standard were 3 off at 528p on turnover of 3m.

Stores were quietly traded, although among second-liners Moss Bros featured with a rise of 8 to 237p as hopes were revived that Amber Day, down 3¾ at 57p, might bid for the company. It was revealed last week that Moss Bros had rejected Amber Day's proposals for a friendly merger.

Ratners ended down 3 at 280p xd after announcing it proposed to issue new classes of US and UK preference shares worth up to $150m and £50m respectively.

Unitech shares staged a late run, closing 6 higher at 371p after news that Doctor Tito Tettamanti, the Swiss arbitrageur had increased his holding in the group by one percentage point to 12.7 per cent, or 8.5m shares.

British Telecom moved up late in the day, ending the session 5¼ higher at 276¼p after turnover of 4.2m shares.

Automated Security Holdings (ASH), the UK's biggest security alarms company, jumped to 302p before closing a net 30½ ahead at 299p xd, following the revelation in the weekend Press that ADT, the world's biggest security alarms group, had built up a 4.9 per cent holding in ASH. The announcement came after ASH issued a series of Section 212 notices relating to nominee accounts.

Dealers said the surge in the ASH share price reflected market hopes that a battle for ASH could soon get underway. "The security alarms market in the UK is a fast growth industry and there are plenty of people very keen to get into or expand in this area." said one analyst.

Cadbury Schweppes were a good early market in spite of the dividend payout. The shares touched 405p before dropping back to close up a penny at 400p xd in modest trade. The market continues to speculate about the 17.9 per cent stake held by General Cinema, in particular whether the US group will take up its rights to last week's rights issue, or allow its holding to be reduced to 16.9 per cent by dilution.

Interest in the retailers centred on Asda, down 4 at 196p after the predicted Monday morning bid failed to materialise. Volume was a poor 3m shares, but in the options market business was reasonably brisk. Asda has announced an extension to its existing multi-option facility to £500m from £200m, along with a new £250m transferable loan facility to fund the acquisition of 61 superstores from Isosceles.

Metal finisher and property developer Radiant Metal leapt ahead on news that International and Irish (European)bought 286,000 shares, or 21 per cent of the company. The seller was said by one dealer to have been Jersey-based Selected Investments, although USM-quoted York Trust is on record as having a 21 per cent stake. The shares touched 258p before settling a net 30 better at 243p.

Saatchi & Saatchi firmed to 218 on news that Tennessee-based South Eastern Asset Management had increased its stake in the company from 9.4 per cent to 10.2 per cent.

The announcement of a $260m acquisition by a subsidiary of Maxwell Communications initially helped sentiment on the stock. But most sector analysts were in the US with Maxwell Communications, so dealers were at a loss over whether the deal was a good one or not. The shares slipped by the close to end a penny lower overall at 202p.

USM-quoted Miss World fell sharply as adverse press comment revived market scepticism over the deal, earlier this year, to buy Piccadilly Radio.

Courtaulds moved up strongly, closing a net 9 higher at a year's high of 395p, on turnover of 1.1m shares, after a well-received presentation to analysts last Friday. Mr Lawrence Rubin, textiles analyst at Kitcat and Aitken, the broker, recommended Courtaulds to clients and said the presentation was favourably inclined towards the growth potential in the 20-plus acquisitions the company has made recently.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 27

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (53).
LOANS (1) AMERICANS (2) BREWERS (1) BUILDINGS (2) STORES (1) ELECTRICALS (7) ENGINEERING (1) FOODS (2) HOTELS (1) INDUSTRIALS (7) Assoc. Brit. Ports., Bittam (J.), Bridon, Eurocopy, Parkfield, Rock, Rolfe & Nolan, PAPERS (1) PROPERTY (2) SHOES (1) TEXTILES (1) TRANSPORT (2) TRUSTS (17) OILS (2) OVERSEAS TRADERS (1).
NEW LOWS (47).
CANADIANS (2) BUILDINGS (8) CHEMICALS (2) ELECTRICALS (3) ENGINEERING (1) FOODS (1) INDUSTRIALS (10) ASD, Alfa-Laval AB "B", Bibby (J), Rockwood, Savage, Sheldon Jones, Spandex, Stag Furniture, Tamaris 8½pc Pf., Wills, MOTORS (2) NEWSPAPERS (2) PAPERS (2) PROPERTY (4) TEXTILES (1) TOBACCOS (1) TRANSPORT (1) TRUSTS (8) OILS (1) MINES (1) THIRD MARKET (1).

APPOINTMENTS

BP chairman to become a non-executive director of Thorn EMI

THORN EMI announced that Sir Peter Walters, chairman of British Petroleum, has accepted an invitation to become a non-executive director, with effect from October 1.

Sir Peter, 58, is currently a non-executive director of SmithKline Beecham, and is a former director of the Post Office and National Westminster Bank.

Among his many non-corporate appointments, Sir Peter is president of the Institute of Directors, chairman of the governing body of the London Business School and a member of the Council of the Industrial Society.

■ THE CHARTERED INSURANCE INSTITUTE has chosen Mr David Edward Bland, 49, as its next director general. He will succeed Mr Pat Saxton, who is to retire at the end of the year.

Mr Bland will joint the institute as director general designate on November 1.

He was pro-vice-chancellor of Sheffield University from 1984 to 1988, is senior lecturer in economic history, the warden of Sorby Hall of Residence, and visiting professor at Hitotsubashi University, Tokyo.

■ CARTIER appointed Mr Roger Hemple as its new fragrance sales manager. Mr Hemple, 44, was most recently sales director for Parfums Christian Dior, following four years as regional sales representative for Max Factor and Lentheric Morny. He will be responsible for all sales aspects of Cartier fragrance lines throughout the UK.

■ W.H. SMITH named Mr Paul Boyle, 30, to the new post of group financial controller. He will be responsible to the group finance director for financial reporting and accounting controls. He will also be involved in reviewing the financial aspects of the group's business strategy.

■ GRE PROPERTIES has appointed Mr Andrew Eden and Mr Alan Lynch to the main board.

Mr Tim Mills has been made managing director of new subsidiary GRE Project Management and Mr Nick Mason managing director of Aquis Residential, a newly formed company.

■ H. BURBIDGE & SON, Coventry-based manufacturer of quality kitchen and bedroom furniture, announced a restructuring of senior management.

Mr David Burbidge will head the company as chairman and chief executive. He is deputy chairman of The Coventry Building Society. He will also take on the duties of The High Sheriff of the West Midlands next April.

Mr Rodney Siddall, who has been director of finance and administration, becomes managing director. Mr Graham Heaven, financial controller, assumes the additional position of company secretary. Mr Richard Greenwood is sales and marketing director and Mr Peter Lynn manufacturing director.

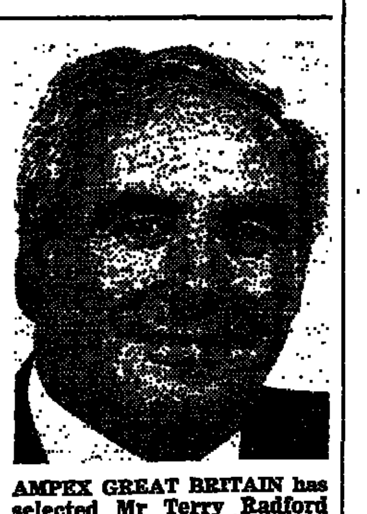
■ BRITISH RAIL RESEARCH, at its Derby headquarters, has appointed Mr Roy Lawrence, 45, to the new post of sales and marketing manager.

Mr George Upson, 40, takes on the new role of finance director, responsible for establishing the financial separation of British Rail Research as a commercial undertaking within the British Rail group.

■ Mr Mark Gallagher has been named development director at WOOLWICH HOMES, a subsidiary of Woolwich Building Society.

■ Mr John Dean joins CHASE INVESTMENT BANK LTD's mergers and acquisitions department in the UK as managing director. He has spent 12 years at Citicorp, where he was an executive director of M&A.

■ At REED BUSINESS PUBLISHING, Mr Denis Hart has become head of corporate communications. He joins from Reuters, where he held a number of posts over the past 12 years, and was closely involved with the organisation's flotation. For the last 18 months at Reuters, he has been marketing communications manager.



AMPEX GREAT BRITAIN has selected Mr Terry Radford *(above)* as managing director, succeeding Mr Tony O'Connell, who has left the company.

Mr Radford, 43, was previously with Apricot, where he held the post of deputy managing director of direct sales from 1987 to 1989. Prior to that, he was general manager of the commercial and manufacturing division at Unisys.

Mr O'Connell is pursuing a new career in consulting, providing companies with employee training programmes which he successfully implemented for Ampex in the past.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ¥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust information pages.

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Windsor Trust Mngrs Ltd (1200)F

Wright Seligman Fund Mngrs Ltd (1700)F

The Yorkshire Unit Tst Mngrs Ltd (1100)F

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Cent. Bd. of Fin. of Church of England

Charities Official Invest. Fund

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Foreign & Colonial Pens Mngt Ltd

Henderson Unit Trust Management Ltd

Lazard Brothers & Co. Ltd

Local Authorities Mutual Invest. Tst.

M & G Securities Ltd

MIM Ltd

Morgan Grenfell Inv Mngmt Ltd

Murray Johnstone UT Mngmt

New Court Property Fund Managers

J. Rothschild Fund Managers Ltd

Thornton Unit Managers Ltd

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Abbott Management Ltd

AEtna Life Insurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Ambassador Life Assce. Co Ltd

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

Britannia Life Ltd

Canada Life Group

Cannon Assurance Ltd

Citicorp Britsh National

City of Edinburgh Life Assurance

City of Westminster Assurance

Clerical Medical/Fidelity International

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance PLC

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance Plc

Berkshire Life

Eagle Star Insurance Co Ltd

Eagle Star Insur./Midland Assur.

Economic Insurance Company Ltd

Edinburgh Money Management Ltd

Equitable Life Assurance Society

Equity & Law

FS Assurance Limited

Family Assurance Society

Friends' Provident

GT Management Ltd

General Accident Linked Life Assce

General Portfolio Life Insce Plc

Assicurazioni GENERALI SpA

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

Irish Life Assurance Co Plc—Contd.

The LAS Group

Laurentian Life plc

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

MGM Assurance

Manchester Unity Assurance

ManuLife Group PLC

Lancashire & Yorkshire Assce Society

Marchant Investors Assurance Co Ltd

Mercury Life Assurance Co Ltd

Midland Life Limited

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd

NEL Britannia Assce Co Ltd—Contd.

NEL Pensions Ltd

NM Life Assurance Ltd

National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Continued on next page

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	Bid Price	Offer Price	+ or −	Yield Gross
Premium Life Assurance Co Ltd				
37-39 Perrymount Road Haywards Heath 0444 458721				
American	119.0	126.0	.....	−
Building Soc. Fd	144.0	154.0	....	−
Balanced	292.3	302.0	....	−
European	192.0	203.0	+1.0	−
GT Managed	191.0	202.0	....	−
Gartmore Mngd	128.0	135.0	−1.0	−
German	137.0	145.0	.....	−
Gilt	182.0	192.0	....	−
Global	50.0	53.0	...	−
High Inc	121.0	128.0	....	−
International Equity	204.0	215.0	....	−
Japan	266.0	250.0	+1.0	−
Managed	64.0	65.0		−
Property	292.0	306.0		−
R. W. Imperial Gold	155.0	164.0	....	−
UK Equity	363.0	383.0	−1.0	−
Pension Funds				
American	155.0	162.0	....	−
Building Soc. Fd	176.0	186.0	....	−
Balanced	227.0	239.0	....	−
European	192.0	203.0	....	−
German	121.0	128.0	....	−
Gilt	159.0	168.0	....	−
International Equity	148.0	156.0	.....	−
Japan	145.0	153.0	....	−
Managed	67.0	71.0	....	−
Property	224.0	236.0	....	−
UK Equity	333.0	351.0	....	−
Professional Life Assurance Co Ltd				
Frobisher Hse Nelson Gate Southampton 0703 232323				
Pensions Managed Fund	196.27	203.69	−0.11	−
Pensions Cash Fund	79.51	82.69	+0.08	−
Prolific Life & Pensions Ltd				
Stramongate Kendall Cumbria LA9 4BE 0539 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Gwth Mngd.	630.4	664.3	−0.2	−
Adventurous Mngd	137.1	144.5	−0.1	−
Secure Mngd	113.2	119.3	+0.2	−

	Bid Price	Offer Price	+ or −
Prudential Holborn Pensions Ltd			
30 Old Burlington St, London W1X 1LB 01-4[illegible]			
Managed	598.4	629.9	+0[illegible]
Equity	870.0	915.6	+1[illegible]
Global Equity	260.0	273.7	−0[illegible]
Fixed Interest	413.2	435.0	+0[illegible]
Property	407.5	429.0	+0[illegible]
Cash	161.3	169.8	
Index Linked Gilt	203.7	214.5	−0[illegible]
Guaranteed	12.93		
International Money	206.9	217.8	+0[illegible]
North American	83.3	87.7	−0[illegible]
Japanese	150.1	156.1	+1[illegible]
European	105.2	110.3	−0[illegible]
Special Situations	126.9	137.6	+0[illegible]
Communications	113.6	119.6	+0[illegible]
Smaller Companies	116.5	122.7	−0[illegible]
International Small Cos.	146.3	154.0	−0[illegible]
Prudential Pensions Limited			
Holborn Bars London EC1N 2NH 01-[illegible]			
Discretionary Sept 13	£168.19	173.67	...
Equity Sept 13	£185.59	192.50	−
International Sept 13	£28.79	29.42	..
Intl Bond Sept 13	£12.76	12.91	..
Fixed Int Sept 13	£74.09	74.90	−
Index Linked Sept 13	£63.55	64.34	...
Property Sept 13	£114.49	121.21	...
Cash Sept 13	£21.5749	21.5749	...
Pru-Linked Retirement Plan			
Managed Sept 12	411.3	428.5	...
Cash Sept 12	202.5	211.0	...
Prudential Pensions Investment Account			
Pens Mngd Sept 15	163.8	176.1	−1[illegible]
Pens UK Eq Sept 15	315.9	340.9	−[illegible]
Pens Intl Sept 15	197.3	212.3	−0[illegible]
Pens Fixed Sept 15	166.6	179.3	+0[illegible]
Pens Index Lk Sept 15	161.8	170.4	..
Pens Cash Sept 15	132.2	139.2	...
Regency Life Assurance Co Ltd			
Regency Hse Lanark Sq, London E14 9XS 01-[illegible]			
Aggressive Ptflio Fd	124.4	130.9	−0[illegible]
Balanced Ptflio Fd	325.8	342.9	−0[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IOM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99¾	98	Exch 11pc 1989	99¾xd	.....	–	–
99½	95⅝	Treas 5pc 1986–89	99⅛xd	.....	–	–
99½	98¼	Exch 10¼pcCv '89	99½	.....	10.31	12.99
101¾	99½	Treas 13pc 1990‡‡	99¾	−⅛	13.02	12.93
132¼	124	Treas 2pc IL '90(34.6)	132¼	+⅛	2.09	9.98
99¾	98½	Exch 11pc 1990‡‡	99¼	.....	11.08	12.71
101⅞	99⅛	Exch. 12½pc 1990	99⅞xd	.....	12.54	13.21
95¼	91½	Treas. 3pc 1990	95½	.....	3.14	10.20
97¼	95⅝	Treas 8¼pc 1987–90‡‡	97¼	−⅛	8.48	12.13
98½	95¼	Treas. 8pc Cv 1990 ‡‡	96½	.....	8.26	12.11
98½	96⅞	Treas. 10pcCv 1990	97⅞xd	+⅛	10.26	12.58
93½	87½	Exch 2½pc 1990	92½	.....	2.69	9.07
101½	98½	Treas 11¾pc 1991	99⅞	−⅛	11.83	12.26
93¼	89⅞	Funding 5¾pc '87–91‡‡	93¼xd	.....	6.17	10.62
90⅞	86⅞	Treas. 3pc 1991	90¼	.....	3.32	9.53
100⅜	95½	Treas 10pc Cv '91 ‡‡	96½	.....	10.31	11.68
101⅞	97½	Exch. 11pc 1991	98⅝xd	+⅛	11.15	11.76
94⅛	91½	Treas. 8pc 1991	92⅞	.....	8.61	11.68
106⅞	102⅞	Treas 12¾pc 1992‡‡	102½	.....	12.39	11.26
99½	95½	Treas 10pc 1992	97⅛	.....	10.30	11.36
94⅞	91	Treas. 8pc 1992 ‡‡	92½xd	.....	8.63	11.35
100⅝	96½	Treas 10½pc Cv 1992‡‡	98⅜	.....	10.68	11.25
85⅝	82¼	Treas. 3pc 1992	84½	.....	3.54	9.44
105½	101¼	Exch. 12¼pc '92	102⅝	.....	11.96	11.21
109⅝	104½	Exch 13½pc 1992	105⅝xd	.....	12.74	11.10
94⅞	90½	Treas 8¼pc 1993	92⅛	.....	8.93	10.97
100⅞	95⅞	Treas 10pc 1993‡‡	97⅞xd	+⅛	10.25	10.86
108⅝	103½	Treas 12½pc 1993‡‡	104⅞	.....	11.92	10.87
88⅛	84¼	Funding 6pc 1993‡‡	86⅞	.....	6.91	10.07
113¾	108¼	Treas 13¾pc 1993‡‡	109½	.....	12.54	10.77
94⅞	89¾	Treas. 8½pc 1994	91½	+⅛	9.24	10.83
117½	112⅛	Treas 14½pc 1994‡‡	113½	.....	12.78	10.62
113½	107½	Exch 13½pc 1994	109⅞	+⅛	12.33	10.81
100⅝	95½	Treas. 10pc Ln. 1994‡‡	97½	+⅛	10.24	10.64
110¼	104⅞	Exch. 12½pc 1994	106⅛	+⅛	11.75	10.75

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
96½	91⅛	Treas 9pc 1994‡‡	93½	.....	9.59	10.57
108½	102½	Treas 12pc 1995	104½	+⅛	11.45	10.77
79⅞	74½	Exch 3pc Gas 90–95	76¼	.....	3.93	9.39
101½	95¾	Exch. 10¼pc 1995	98⅛	+⅛	10.43	10.63
113½	107¼	Treas 12¾pc 1995‡‡	109⅞	−⅛	11.63	10.56
119½	112⅞	Treas. 14pc '96	114½	+⅛	12.20	10.70
97½	91⅞	Treas.9pc 1992–96‡‡	93½	+⅛	9.59	10.32
126½	119⅞	Treas 15¼pc 1996‡‡	121⅝	+⅛	12.52	10.57
117⅞	110	Exch 13¼pc 1996‡‡	112½	+⅛	11.77	10.55
101⅞	94½	Conversion 10pc 1996	97¾	+⅛	10.24	10.46
118½	110⅞	Treas 13¼pc 1997‡‡	113¼	+⅛	11.65	10.50
104⅞	97⅛	Exch 10½pc 1997	100¼	+⅛	10.47	10.42
95½	88⅞	Treas 8¾pc 1997‡‡	92	+⅛	9.51	10.23
128⅝	120⅞	Exch 15pc 1997	123¼	+⅛	12.16	10.62
100½	93½	Exch. 9¾pc 1998	96¾	+⅛	10.07	10.31
84⅞	78⅞	Treas 6¾pc 1995–98‡‡	81½	+⅛	8.25	9.93
134⅞	125⅞	Treas. 15½pc '98‡‡	128½xd	+⅛	12.02	10.46
113½	105¼	Exch. 12pc 1998	108⅞	+⅛	11.00	10.42
100⅝	93⅞	Treas 9½pc 1999‡‡	96½	+⅛	9.83	10.05
115⅞	107½	Exch. 12¼pc 1999	110⅞xd	+⅛	11.03	10.39
105⅝	97⅞	Treas. 10½pc 1999	101½	+⅛	10.37	10.28
104⅞	96⅞	Conversion 10¼pc 1999	99½	+⅛	10.25	10.24
94⅞	86⅞	Treas. 8½pc Ln 2000‡‡	90⅛	+⅛	9.40	9.99
97½	90	Conversion 9pc 2000‡‡	93½	+⅛	9.62	10.01
122⅞	113⅞	Treas. 13pc 2000	116½	+⅛	11.13	10.36
103⅝	95⅝	Treas 10pc 2001	99½	+⅛	10.07	10.09
124½	115½	Treas. 14pc '98–01	118⅞	+⅛	11.76	10.57
102⅞	94⅞	Conversion 9¾pc 2001	97¾	+⅛	9.96	10.04
113½	105½	Exch. 12pc '99–02	108½	+⅛	11.01	10.44
104½	96⅞	Conversion 10pc 2002	99⅞xd	+⅛	9.99	9.99
102½	94½	Treas 9¾pc 2002	98⅝	+⅛	9.90	9.94
97½	89½	Exch. 9pc 2002	93⅛	+⅛	9.62	9.87
126½	117⅞	Treas. 13¾pc 2000–03	121¼	+⅛	11.33	10.40
105⅛	97⅛	Treas 10pc 2003	101⅛	+⅛	9.97	9.83
113½	104⅞	Treas. 11½pc 2001–04	108⅞	+⅛	10.61	10.24
106½	97⅝	Treas. 10pc 2004	101½	+⅛	9.84	9.78
59⅞	55⅞	Funding 3½pc '99–04	57⅛	+⅛	6.10	8.65

BRITISH FUNDS—Contd

Over Fifteen Years

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
102½	94¼	Conversion 9½pc 2004	98⅛xd	+⅛	9.65	9.70
103⅞	94½	Conversion 9½pc 2005	98⅛xd	+⅛	9.63	9.67
111¼	102⅞	Exch 10½pc 2005	106½xd	+⅛	9.84	9.66
125⅞	115⅝	Treas 12½pc 2003–05	119½	+⅛	10.44	9.87
90⅞	82⅞	Treas. 8pc 2002–06‡‡	86⅝xd	+⅛	9.23	9.60
105⅞	97⅛	Conversion 9¾pc 2006	101⅛	+⅛	9.64	9.60
118½	109⅞	Treas. 11¾pc 2003–07	113½	+⅛	10.34	9.87
96⅞	87½	Treas 8½pc 2007 ‡‡	91¾	+⅛	9.26	9.45
134⅝	123⅝	Treas. 13½pc '04–08	128⅛xd	+⅛	10.51	9.79
101⅛	92⅞	Treas. 9pc 2008 ‡‡	96½xd	+⅛	9.32	9.39
92⅞	84⅛	Treas 8pc 2009	87½xd	+⅛	9.10	9.35
102⅞	93⅞	Conv 9pc Ln 2011 ‡‡	97⅞	+⅛	9.25	9.28
68⅞	62½	Treas. 5½pc 2008–12‡‡	65⅞	+⅛	8.42	9.13
89⅞	82⅛	Treas. 7¾pc 2012–15‡‡	85½	+⅛	9.07	9.24
132⅛	121¼	Exch. 12pc '13–17	125⅝	+⅛	9.54	9.30

Undated

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
45⅝	41½	Consols 4pc	42½	−⅛	9.43	–
40⅝	36⅝	War Loan 3½pc‡‡	37¾	−⅛	9.27	–
70½	60⅞	Conv. 3½pc '61 Aft.	64¾xd	−⅛	5.41	–
41⅛	31½	Treas. 3pc '66 Aft.	34xd	−⅛	8.82	–
30¾	26	Consols 2½pc	26½xd	−⅛	9.32	–
29½	25¼	Treas. 2½pc	26⅛xd	−⅛	9.41	–

Index-Linked

1989 High	Low	Stock (b)	Price £	+ or −	(1)	(2)
112¾	103⅞	Tr. 2pc '92‡‡(97.8)	111½xd	.....	2.08	3.22
105⅛	94½	Do. 2 '94 (102.9)	104¼	.....	2.49	3.09
155⅞	139⅝	Do. 2pc '96(67.9)	153½	.....	2.77	3.18
130½	118⅞	Do 2½pc '01(78.3)	129¼xd	+⅛	3.26	3.55
127½	115⅝	Do. 2½pc '03(78.8)	126¼	+⅛	3.34	3.58
131⅞	117½	Do. 2pc '06(69.5)	129⅞	+⅛	3.39	3.59
123⅛	110¼	Do. 2½pc '09(78.8)	121	+⅛	3.40	3.55
128	114½	Do. 2½pc '11(74.6)	126⅞	+⅛	3.40	3.57
106¾	95¼	Do. 2½pc '13(89.2)	104½	+⅛	3.40	3.55
115⅞	101⅛	Do. 2½pc '16(81.6)	113⅝	+⅛	3.36	3.51
112½	100⅞	Do. 2½pc '20(83.0)	111¼xd	+⅛	3.32	3.46
95⅞	84½	Do. 2½pc '24‡‡(97.7)	93½	+⅛	3.29	3.41

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1989: 111.0 and for August 1989: 115.8.

INT. BANK AND O'SEAS

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
108½	99½	African Dv Bk 11¼Ln 2010	103½	+⅛	10.75	10.69
104⅞	96⅛	Asian Dev Bk 10¼pcLn2009	99½	+⅛	10.30	10.30
130⅞	119½	Australia 13½pc 2010	123½xd	+⅛	10.92	10.65
113½	102½	Do. 11¾pcLn2015	106½	+⅛	10.66	10.61
108½	99½	Euro Inv Bk 11pc Ln 2002	103½	+⅛	10.63	10.50
104½	95½	Do. 10¼pc2004	99½	+⅛	10.45	10.46
119⅞	109½	Int-Am Dev Bk 12½pc 2003	112½	+⅛	11.08	10.66
99¼	90⅞	Do. 9¾pcLn 2015	94½	+⅛	10.32	10.36
97½	91½	Mlysia 10¾pcLn 2009	95xd	.....	11.32	11.39
120	115	Utd. Mexican States 16½pc 2008	115	.....	14.35	14.20

CORPORATION LOANS

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
102	99½	Birmingham 13½pc 1989	100½	+1	13.43	11.20
111½	102½	Do. 11½pc 2012	104½	−1	11.00	11.00
91	86½	GLC 6¾pc 1990–92	88½xd	.....	7.63	12.20
124½	114½	Leeds 13½pc 2006	119½xd	−1	11.30	10.94
33	30	Liverpool 3½pc Irred.	32xd	+1	10.94	–
95½	92	LCC 6¾pc '88–90	94½	.....	7.14	11.90
30	27	Do. 3pc '20 Aft.	28xd	.....	10.71	–
107½	101½	Manchester 11½pc 2007.	103½xd	−3	11.11	11.05

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
89½	86½	NZ 7¾pc 1988–92	88¾	−¼	8.17	11.80
206	206	S Rhod 2½pc Non-Assd.	206	.....	–	–
84½	84½	Do. 4½pc 87–92 Assd.	84½	.....	5.33	9.33

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99½	99⅛	N'wide Anglia 12½pc 2.10.89	99½	.....	12.32	14.14
99½	98½	Do. 11½pc 6.11.89	99½	+⅛	11.86	13.95
100	98½	Do. 12½pc 4.12.89	99½	+⅛	12.37	14.00
100¼	99⅞	Do. 12½pc 2.1.90	99⅞	+⅛	12.87	13.93
100½	98⅞	Do. 12½pc 29.1.90	99⅞	+⅛	12.64	13.96
100	98⅝	Do. 12½pc 26.2.90	99⅝	+⅛	12.77	13.94
100	98½	Do. 12¾pc 19.3.90	99½	+⅛	12.94	13.96
100⅞	99⅛	Do. 13¼pc 23.4.90	99½	+⅛	13.40	14.30
100	99	Do. 13pc 14.5.90	99⅞	+⅛	13.09	13.99
100	98⅝	Do. 13½pc 4/6/90	99½	.....	13.73	13.99
100½	100	Do. 14¼pc 2.7.90	100¼	.....	14.28	13.80
100½	99½	Do. 13¾pc 23.7.90	99½	.....	13.65	13.77
107	98½	Do. 3¾pcIL Ln 2021	104½xd	.....	4.29	4.40

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
47	45	Met. Wtr. 3pc 'B'.	46xd	.....	6.52	10.62

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	40	.....	3.50	18.75
45	40	Do. 6pc 28 Stb Ass.	40xd	.....	3	17.50
45	40	Do 4pc Mixed Ass.	40xd	.....	2	15.00
80	65	Hung. '24 Ass.	80	.....	2.75	13.57
139½	128½	Hydro Quebec 15pc 2011.	132½	+⅛	15.00	11.00
128½	118½	Iceland 14½pc Ln 2016	123½xd	+⅛	14.50	11.62
97¾	91½	Ireland 9¾pc '91–96	92½xd	.....	9.75	11.30

AMERICANS

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
41¾	26⅛	Abbott Laboratories	40¼xd	+⅛	$1.40	–	2.2
579p	361p	♥Allegheny & W 1c.	482p	+16	30c	–	3.9
18⅞	12⅛	Amax $1	17½xd	+⅛	80c	–	2.9
11⅞	6	Ambase Corp $1	10¼xd	.....	20c	–	1.2
15	865p	Amdahl 5c	18¼xd	+⅛	h10c	–	0.6
37⅞	25½	Amer. Cyanamid $5	34½	−⅛	$1.35	–	2.5
24⅛	14⅞	Amer. Express 60c	23⅛xd	+⅛	84c	–	2.3
16¼	854p	Amer. Medical Int. $1	14¼	−⅛	♦72c	–	3.2
26⅛	15⅞	American T & T. $1	26⅛	+½	$1.20	–	2.9
40⅝	26⅞	Ameritech $1	40⅛	+1⅛	h$2.92	–	4.6
659p	535p	♥Asiamerica Equity‡	586p	+23	–	–	–
21¼	9⅞	BankAmerica $1⅞	20⅞xd	+⅛	60c	–	1.3
35⅞	19⅞	Bankers N.Y. $1	33⅛xd	−⅛	$2.08	–	4.0
63⅝	38½	Bell Atlantic $1	62⅛	+⅛	$4.08	–	4.1
34	19⅞	BellSouth Corp.	34	+½	$2.52	–	4.7
15⅞	12⅞	♥Bethlehem Steel $8	14⅛xd	+⅝	$1.00	–	4.4
11⅝	868p	♥Bio-Rad Labs. A.	10⅞	+⅛	–	–	–
20⅛	15⅛	Bowater Inc.	18⅛	−⅛	$1.12	–	3.9
12⅞	9⅛	Brunswick 75c	10⅞xd	.....	44c	–	2.6
42⅛	28⅞	CPC Intnl 25c	39½	+⅛	$1.80	–	2.9
825p	333p	California Engy	823p	−1	–	–	–
36½	17⅛	Campbell Soup 15c	29¼xd	−⅛	92c	–	2.0
25⅞	15⅞	Chase Manhattan $12½	24xd	−⅛	$2.36	–	6.2
24⅝	17	Chem Banking Corpn.	23⅛	.....	$2.72	–	7.4
17½	13⅞	Chrysler $6¼	16⅞xd	+⅛	$1.20	–	4.5
22⅛	14⅛	Citicorp $1	19½xd	−⅛	$1.62	–	5.3
230p	107p	CityFed Fin. Corp.	145p	.....	4c	–	1.7
39⅛	25⅛	Colgate-Palmolive $1	37⅛xd	−⅛	$1.48	–	2.5
17⅛	10⅛	Cont'l Bank Corp $4	16⅛	+⅛	80c	–	3.1
389p	218p	♥Corporate Data Scnce	376p	.....	–	–	–
597p	278p	Cullinet Sftwr 1c	536p	.....	–	–	–
27½	21⅞	Dana Corp $1	25⅛xd	−⅛	$1.60	–	4.0
12	854p	Data General	972p	−9	–	–	–
38⅛	28⅞	Dun & Bradstreet $1	36⅛	−⅛	$2.00	–	3.5
43⅛	30½	Eaton Corpn. 50c	40⅞	.....	h$2.00	–	3.1
11⅞	8⅞	Echlin Inc	11⅛	.....	70c	–	3.9
20⅞	16⅞	FPL Group 1c	20⅛xd	−⅛	$2.28	–	7.1

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

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AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES – Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES – Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ¶ Dealt in under Rule 535(3)
- Price at time of suspension
- Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- Merger bid or reorganisation in progress
- Not comparable
- Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xΩ ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p ....y	96	......
Craig & Rose £1 ..y	830	......
Finlay Pkg. 5p ....y	86	......
Holt (Jos) 25p ....y	1345	−13
Arnotts	422	......
Carrol (P.J.) ....y	150	−5
Hall (R. & H.)	173½xd	−1½
Heiton Hldgs. ....y	93	+1
[illegible]	[illegible]	[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials

Allied-Lyons, Amstrad, BAT, BOC Grp., BSR, BTR, Barclays, Blue Circle, Boots, Bowaters, Brit. Aerospace, British Steel, Brit. Telecom, Burton Ord., Cadbury's, Charter Cons., Comm Union, Courtaulds, FKI, Gen. Accident, GEC, Glaxo, Grand Met, GUS 'A', Guardian, GKN, Hanson, Hawker Sidd., ICI, Jaguar, Ladbroke, Legal & Gen., Lex Service, Lloyds Bank, Lucas Inds., Marks & Spencer, Midland Bk., Morgan Grenfell, Nat West Bk., P & O Dfd., Plessey, Polly Peck, Racal Elect., RHM, Rank Org Ord., Reed Intl., STC, Sears, Smithkline Bchm. A, TI, Tesco, Thorn EMI, Trust Houses, Unilever, Vickers, Wellcome — [prices illegible]

Property

Brit Land, Land Securities, MEPC, Randsworth — [prices illegible]

Oils

Brit Petroleum, Burmah Oil, Caltex, Charterhall, Premier, Shell, Ultramar — [prices illegible]

Mines

Cons Gold, Lonrho, RTZ — [prices illegible]

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls amid confusion

CONFUSION AND uncertainty set the tone for the foreign exchanges yesterday. Friday's late retreat of the dollar in New York was the result of various unfounded rumours, and there was some expectation that the trend would be reversed.

Economic factors appeared to be favourable, after last week's news of a smaller than expected US trade deficit in July, but the dollar failed to consolidate on a rally seen in Europe yesterday morning.

After a period where the dollar has looked unopposed as the world's favourite currency, doubts were voiced on whether the currency will be able to mount another attack on DM2.00 or is now entering a new phase and is set to drift lower.

An attempt was made to break through resistance at DM1.9710, taking the dollar up to a peak of DM1.9725 yesterday, but it fell back in late European trading to close below a support level of DM1.9550, at DM1.9530, compared with DM2.0000 on Friday.

The dollar also fell to Y145.80 from Y148.70; to SFr1.6850 from SFr1.7260; and to FFr6.5900 from FFr6.7450. On Bank of England figures the dollar's index declined to 71.9 from 73.1.

Long positions were unwound, on disappointment at the dollar's failure to consolidate above DM2.00 on Friday. As the currency fell it triggered stop loss selling orders, increasing the mood of nervousness. There was no need for intervention by central banks, although the Bank of Japan did sell $250m in Tokyo, after being out of the market on Friday for a public holiday, when there was co-ordinated intervention by the Federal Reserve and European central banks.

US consumer prices for August will be published today. These are expected to indicate an easing of the year-on-year inflation rate to 4.9 per cent from 5.0 per cent, but in the present circumstances may have a limited impact. If much better than expected trade figures failed to produce a sustained rise in the dollar, there is no reason to believe that a falling inflation rate will be any more successful, particularly if it renews speculation about lower US interest rates.

Trading was much less volatile yesterday, which is hardly surprising after Friday's sharp swings. The next important test for the market is likely to be on Thursday when the West German Bundesbank council meets, amid suggestions that a rise in official interest rates is possible.

This should restrict volatility over the next day or so, and whatever the outcome of the council meeting another bout of nervousness is likely ahead of a communique expected from the Group of Seven meeting in Washington, beginning at the weekend.

Sterling was on the sidelines, showing virtually no reaction to a higher than expected UK Public Sector Borrowing Requirement for August. The pound rose 0.15 cents against a weaker dollar and rose to Y229.00 from Y228.75, but fell to DM3.0650 from DM3.0775; to SFr2.6450 from SFr2.6550; and to FFr10.3475 from FFr10.3775. Sterling's index rose 0.2 to 91.3.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sep 18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4299	+2.29	+1.09	±1.5424
Danish Krone	7.85212	8.06374	+2.70	+1.50	±1.6419
German D-Mark	2.05853	2.07600	+0.85	-0.35	±1.1019
French Franc	6.90403	7.00247	+1.43	+0.23	±1.3719
Dutch Guilder	2.31943	2.33984	+0.88	-0.32	±1.5019
Irish Punt	0.768411	0.778271	+1.28	+0.08	±1.6689
Italian Lira	1483.58	1491.36	+0.52	-0.08	±4.0815
Spanish Peseta	133.804	129.479	-3.23	-	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Sep 18	Latest	Previous Close
£ Spot	1.5675-1.5685	1.5650-1.5670
1 month	0.63-0.62pm	0.63-0.61pm
3 months	1.90-1.86pm	1.87-1.84pm
12 months	6.25-6.15pm	6.70-6.55pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Sep 18	Previous
8.30	am	91.2	91.3
9.00	am	91.1	91.2
10.00	am	91.1	91.2
11.00	am	91.1	91.1
Noon		91.1	91.2
1.00	pm	91.1	91.2
2.00	pm	91.2	90.9
3.00	pm	91.3	91.0
4.00	pm	91.3	91.1

POUND SPOT- FORWARD AGAINST THE POUND

Sep.18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5535 - 1.5715	1.5695 - 1.5705	0.64-0.61cpm	4.78	1.87-1.83pm	4.71
Canada	1.8425 - 1.8580	1.8555 - 1.8565	0.26-0.19cpm	1.52	0.71-0.58pm	1.39
Netherlands	3.45 - 3.46½	3.45 - 3.46	1¾-1⅝cpm	6.08	5⅛-5pm	5.86
Belgium	64.00 - 64.40	64.15 - 64.25	29-27cpm	5.23	89-79pm	5.23
Denmark	11.89¾ - 11.94¼	11.90¾ - 11.91¾	4⅛-3⅝orepm	3.90	11⅞-11⅛	3.86
Ireland	1.1480 - 1.1560	1.1510 - 1.1520	0.40-0.35ppm	3.91	1.10-1.00pm	3.65
W Germany	3.06¼ - 3.07½	3.06¼ - 3.06¾	1¾-1⅝cpm	6.61	4¾-4⅝pm	6.12
Portugal	255.50 - 258.05	256.10 - 257.10	25-7cpm	0.75	3-38dis	-0.32
Spain	190.85 - 192.00	191.10 - 191.40	2-7cdis	-0.28	15-26dis	-0.43
Italy	2200¼ - 2210	2203¼ - 2204¼	4-3lirepm	1.91	10-8pm	1.63
Norway	11.14 - 11.19¾	11.17¼ - 11.18¼	2⅝-2⅛orepm	2.79	7⅞-7⅛pm	2.73
France	10.33¼ - 10.37½	10.34¼ - 10.35¼	4⅛-3⅞cpm	4.64	15⅝-13⅝pm	5.61
Sweden	10.33 - 10.38	10.36½ - 10.37½	1⅞-1⅝orepm	2.03	5⅛-4⅞pm	1.98
Japan	227¼ - 229½	228½ - 229½	1⅝-1⅜ypm	7.86	4½-4⅜pm	7.75
Austria	21.55 - 21.75	21.72 - 21.75	12½-11¼grpm	6.42	34½-31⅞	6.11
Switzerland	2.63¾ - 2.65¼	2.64 - 2.65	1⅜-1¼cpm	5.95	3⅞-3¾pm	5.77
ECU	1.4770 - 1.4790	1.4780 - 1.4790	0.53-0.50cpm	4.18	1.44-1.39pm	3.83

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 64.45-64.55 Six-month forward dollar 3.68-3.63cpm 12 Months 6.70-6.60pm

CURRENCY RATES

Sep.18	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling §	-	1.25640	1.47951
U S Dollar	7	1.23750	1.05285
Canadian $	12.36	1.47015	1.24846
Austrian Sch.	5	17.2547	14.6167
Belgian Franc	7.75	51.2613	43.4299
Danish Krone	9½	9.50400	8.06374
Deutsche Mark	5.00	2.44542	2.07600
Neth Guilder	6.00	2.75653	2.33984
French Franc	[illegible]	[illegible]	7.00247
Italian Lira	[illegible]	[illegible]	1491.36
Japanese Yen	[illegible]	[illegible]	[illegible]
Norway Krone	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	129.479
Swedish Krona	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]
Greek Drach.	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	0.778271

§ Sterling quoted in terms of SDR and ECU per £. † European Commission Calculations. * All SDR rates are for Sep.15

CURRENCY MOVEMENTS

Sep.18	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.3	-20.0
U.S. Dollar	71.9	-4.8
Canadian Dollar	104.9	-1.2
Austrian Schilling	106.3	+9.3
Belgian Franc	105.3	-4.4
Danish Krone	105.2	-2.0
Deutsche Mark	112.6	+19.6
Swiss Franc	106.9	+16.6
Guilder	110.1	+12.3
French Franc	94.5	-13.5
Lira	94.4	-19.8
Yen	136.6	+63.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Sep.15

OTHER CURRENCIES

Sep.18	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Korea(Sth)	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
Mexico	[illegible]	[illegible]
N. Zealand	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Singapore	[illegible]	[illegible]
S. Af (Cm)	[illegible]	[illegible]
S. Af (Fn)	[illegible]	[illegible]
Taiwan	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

*Selling rate

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Sep.18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5535 - 1.5715	1.5695 - 1.5705	0.64-0.61cpm	4.78	1.87-1.83pm	4.71
Ireland†	1.3495 - 1.3640	1.3630 - 1.3640	0.12-0.07cpm	0.84	0.50-0.40pm	1.33
Canada	1.1825 - 1.1860	1.1830 - 1.1840	0.31-0.34cdis	-3.29	0.97-1.02dis	-3.36
Netherlands	2.1975 - 2.2275	2.2005 - 2.2015	0.25-0.23cpm	1.30	0.62-0.58pm	-1.08
Belgium	40.85 - 41.33½	40.85 - 40.95	2.50-1.00cpm	0.51	5.00-2.50pm	0.36
Denmark	7.58½ - 7.67½	7.58½ - 7.59	0.40-0.65oredis	-0.82	1.55-1.90dis	0.90
W. Germany	1.9495 - 1.9760	1.9525 - 1.9535	0.27-0.25pfpm	1.58	0.67-0.63pm	1.33
Portugal	163.45 - 165.10	163.45 - 163.55	50-60cdis	-4.00	200-225dis	-5.15
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 41.05-41.15.

EURO-CURRENCY INTEREST RATES

Sep.18	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 8⅞-8¾ per cent; three years 8⅞-8¾ per cent; four years 8⅞-8¾ per cent; five years 8⅞-8¾ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sep.18	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.570	3.065	229.0	10.35	2.645	3.455	2204	1.856	64.20
$	0.637	1	1.952	145.9	6.592	1.685	2.201	1404	1.182	40.89
DM	0.326	0.512	1	74.71	3.377	0.863	1.127	719.1	0.606	20.95
YEN	4.367	6.856	13.38	1000.	45.20	11.55	15.09	9624	8.105	280.3
F Fr.	0.966	1.517	2.961	221.3	10.	2.556	3.338	2129	1.793	62.03
S Fr.	0.378	0.594	1.159	86.58	3.913	1	1.306	833.3	0.702	24.27
H Fl.	0.289	0.454	0.887	66.28	2.996	0.766	1	637.9	0.537	18.58
Lira	0.454	0.712	1.391	103.9	4.696	1.200	1.568	1000.	0.842	29.13
C $	0.539	0.846	1.651	123.4	5.577	1.425	1.862	1188	1	34.59
B Fr.	1.558	2.445	4.774	356.7	16.12	4.120	5.382	3433	2.891	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Sterling futures firmer

SHORT STERLING futures recovered to finish close to the day's highs in yesterday's Liffe market. The December contract opened at 86.36 and fell to the 86.32 support level, but again managed to finish above this price. The contract has now made several unsuccessful attempts to break out of a 13 tick range of 86.45 at the top and 86.32 at the lower end. Yesterday it closed at 86.39 compared with 86.32 on Friday.

Sterling's firmer tone helped to encourage the rise in prices, although there was little in the August UK Public Sector Borrowing Requirement data to provide any further encouragement. A PSBR of £700m was higher than expected and cast further doubts on the Treasury's ability to achieve a £14bn debt repayment forecast for the current financial year.

US Treasury bond futures moved higher at the start, although traders remained cautious after the dollar's late decline in New York on Friday. Despite the decline and mounting doubts about whether the US Federal Reserve will be able to ease credit policy, values were held up by a flight to quality. This reflected concern about a sharp decline in the high yield or junk bond market. The December Treasury bond future closed at 97-15 in London up from 97-04.

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100% — [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100% — [illegible]

LIFFE £/$ OPTIONS £25,000 (cents per £1) — [illegible]

LIFFE EUROSTERLING OPTIONS £1m points of 100% — [illegible]

LIFFE EURODOLLAR OPTIONS $1m points of 100% — [illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100% — [illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100% — [illegible]

7-10 YEAR 9% NOTIONAL GILT £50,000 32nds of 100% — [illegible]

US TREASURY BONDS 8% $100,000 32nds of 100% — [illegible]

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100% — [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100% — [illegible]

THREE MONTH STERLING £500,000 points of 100% — [illegible]

THREE MONTH EURODOLLAR $1m points of 100% — [illegible]

THREE MONTH EUROMARK DM 1m points of 100% — [illegible]

FT-SE 100 INDEX £25 per full index point — [illegible]

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5685	1.5623	1.5561	1.5320	1.5020

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.5620	1.5640	1.5552	1.5758
Dec	1.5436	1.5448	1.5380	1.5570
Mar	1.5230	1.5270	1.5230	1.5388
Jun	-	-	1.5200	1.5242

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100% — [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100% — [illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr — [illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100 — [illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM — [illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100% — [illegible]

STANDARD & POORS 500 INDEX $500 times index — [illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1) — [illegible]

BASE LENDING RATES

Bank	%	Bank	%	Bank	%
ABN Bank	14	Clydesdale Bank	14	NatWestminster	14
Adam & Company	14	Comm. Bk. N. East	14	Northern Bank Ltd	14
Allied Trust Bank	14	Co-operative Bank	*14	Norwich Gen. Trust	14
Allied Irish Bank	14	Coutts & Co	14	PRIVATbanken Limited	14
● Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	15
Associates Cap Corp	14	Dunbar Bank PLC	14	R. Raphael & Sons	14
Authority Bank	14	Duncan Lawrie	14	Roxburghe Guarantee	14½
● B & C Merchant Bank	14	Equatorial Bank plc	14	Royal Bk of Scotland	14
Bank of Baroda	14	Exeter Trust Ltd	14½	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	Financial & Gen. Bank	14	● Smith & Williamson Secs	14
Bank Hapoalim	14	First National Bank Plc	15	Standard Chartered	14
Bank Leumi	14	● Robert Fleming & Co	14	TSB	14
Bank Credit & Comm	14	Robert Fraser & Ptnrs	14½	United Bk of Kuwait	14
Bank of Cyprus	14	Girobank	14	United Mizrahi Bank	14
Bank of Ireland	14	● Guinness Mahon	14	Unity Trust Bank Plc	14
Bank of India	14	HFC Bank plc	14	Western Trust	14
Bank of Scotland	14	● Hambros Bank	14	Westpac Bank Corp	14
Banque Belge Ltd	14	Hampshire Trust Plc	14½	Whiteaway Laidlaw	14
Barclays Bank	14	Heritable & Gen Inv Bk	14	Yorkshire Bank	14
Benchmark Bank PLC	14	● Hill Samuel	§14		
Brit Bk of Mid East	14	C. Hoare & Co	§14		
● Brown Shipley	14	Hongkong & Shangh	14		
Business Mtge Tst	14½	● Leopold Joseph & Sons	14		
CL Bank Nederland	14	● Lloyds Bank	14		
● Charterhouse Bank	14	Meghraj Bank Ltd	14		
Citibank NA	14	McDonnell Douglas Bk	14		
City Merchants Bank	14	Midland Bank	14		
		Mount Banking	14		
		Nat Bk. of Kuwait	14		

● Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.5%. Top Tier-£10,000+ instant access 12.8% § Mortgage base rate. ¶ Demand deposit 9%. Mortgage 14.25% - 15%

EUROPEAN OPTIONS EXCHANGE

Series (Gold, EOE Index, S/Fl, ABN, Aegon, Ahold, Akzo, Amev, Buhrmann-T, DAF N.V., N.V. DSM, Elsevier, Gist-Broc., Heineken, Hoogovens, KLM, KNP, Nedlloyd, NMB, Nat.Ned., Philips, Royal Dutch, Unilever, Van Ommeren, Wessanen; Oct. 89 / Jan. 90 / Apr. 90 Vol / Last; Stock) — [illegible]

TOTAL VOLUME IN CONTRACTS : 34,000

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

UK rates lower

STERLING'S FIRMER tone encouraged a slight decline in UK interest rates in the London money market yesterday, but there was still no clear direction.

The degree of uncertainty was reflected in the yield rate curve which in the one to six-month period was completely flat. The important three-month rate was quoted at 13 15/16-13⅞ per cent from 14-13 15/16 on Friday.

The Bank of England forecast a flat liquidity position. Factors affecting the market included bills maturing in official hands and a take-up of Treasury bills, together with repayment of late assistance draining £631m. In addition, banks brought forward balances £35m below target. These were offset by Exchequer transactions which added £200m and a fall in the note circulation of £455m.

The forecast was revised to a shortage of around £100m but there was no assistance given by the Bank during the morning; there was no help in the afternoon either, on a revised forecast of a £50m shortage.

UK clearing bank base lending rate 14 per cent from May 24

In Frankfurt, short-term rates edged firmer as funds were drained by corporate tax payments. Call money was quoted at 6.90-7.00 per cent compared with 6.85-6.95 per cent on Friday. Much of the firmer tone is due to a sharp decline in commercial banks' minimum reserve holdings with the Bundesbank. These fell to DM53.7bn last Thursday - the latest day for which figures are available - from DM58.6bn on Wednesday.

Traders are also concerned about the possibility of a further rise in West German interest rates, and it is the timing of any such rise that is creating uncertainty. Investors will now await the Bundesbank's latest sale and repurchase tender, the terms and rates of which will be made known today and tomorrow. The size of the allocations is also important in trying to determine Government policy; tomorrow sees the maturity of a previous sale and repurchase facility which drains DM23bn.

In New York, the US Federal Reserve refrained from taking any action in the money market. Overnight Fed funds were quoted at 8 13/16 per cent from 9 1/16 per cent on Friday, but may move higher today, depending to some extent on the scale of recent corporate tax payments.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep.18) 3 months US dollars		6 months US Dollars	
bid 8¼	offer 8⅞	bid 8¾	offer 8⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime

Prime rate	10½	One month	7.93	Three year	8.07
Broker loan rate	10	Two month	7.71	Four year	8.07
Fed funds	8⅞	Three month	7.85	Five year	8.04
Fed funds at intervention	-	Six month	7.99	Seven year	8.09
		One year	8.04	10-year	8.09
		Two year	8.10	30-year	8.08

Sep.18	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.90-6.95	6.95-7.10	7.10-7.25	7.20-7.35	7.30-7.50	7.00
Paris	8 13/16-8 15/16	9-9⅛	9 3/16-9 5/16	9¼-9⅜	9⅜-9½	8.75
Zurich	6⅝-6⅞	7½-7¾	-	7½-7¾	-	-
Amsterdam	7.31-7.43	7.44-7.50	-	7.52-7.62	-	-
Tokyo	5¼-5⅜	5 13/16-5⅞	-	5⅝-5 11/16	-	-
Milan	12¼-12⅝	12⅝-12⅞	-	12⅝-12⅞	-	-
Brussels	6.55	8 11/16-8⅞	-	8⅝-8 13/16	-	-
Dublin	9½-9¾	9¾-10	10¼-10⅜	10¼-10½	10⅝-10 13/16	-

LONDON MONEY RATES

Sep.18	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14	13⅞	14	14	14	13¾
Interbank Bid	13½	13⅝	13⅞	13⅞	13⅞	13⅝
Sterling CDs	-	-	13 15/16	13 15/16	13 13/16	13 11/16
Local Authority Deps.	13 13/16	13 13/16	13 15/16	13 15/16	13 13/16	13¾
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14	13¾	13¾	13½	-	-
Company Deposits	-	-	14 1/16	14 1/16	14 1/16	13⅞
Finance House Deposits	-	-	13⅞	13 15/16	13⅞	13⅝
Treasury Bills (Buy)	-	-	13 11/16	13 11/16	-	-
Bank Bills (Buy)	-	-	13 13/16	13½	13 11/16	-
Fine Trade Bills (Buy)	-	-	14 11/16	14¼	13 15/16	-
Dollar CDs	-	-	8.87	8.80	8.73	8.65
SDR Linked Dep Offer	-	-	8¼	8¼	8⅜	8⅝
SDR Linked Dep Bid	-	-	8⅛	8⅛	8⅛	8⅜
ECU Linked Dep Offer	-	-	9½	9 13/16	9⅞	9 15/16
ECU Linked Dep Bid	-	-	9⅜	9 11/16	9¾	9 13/16

Treasury Bills (sell): one-month 13 9/16 per cent; three months 13 13/32 per cent; Bank Bills (sell): one-month 13 11/32 per cent; three months 13 7/32 per cent; Treasury Bills; Average tender rate of discount 13.4610 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day August.31, 1989. Agreed rates for period September.26 to October.24, 1989, Scheme I: 14.76 p.c., Schemes II & III: 15.16 p.c. Reference rate for period August.1 to August.31, 1989, Scheme IV&V: 13.880 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from September.1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 12 per cent; Under £100,000 10½ per cent from May 25,1989, Deposits withdrawn for cash 5 per cent.

CONTRACTS & TENDERS

JOTTER PAD

CROSSWORD

No.7,041 Set by FRESCA

ACROSS

1 Fishes taking it easy (6)
4 Poison puts cat in considerable discomfort, sweetheart (8)
9 Eighth or tenth month – on average, both short (6)
10 Enterprise requiring space on screen? (8)
12 Game in recent years curtailed (5)
13 Reputedly good runner overtaken by senior participant (9)
15 Flower of the Pre-Raphaelite brotherhood (4)
16 Ought to get a soldier with a pole – he'll get the boat moving (7)
20 Wine produced by a Gershwin (7)
21 Pop art? (4)
25 Cover for ape without a name (9)
26 Sailor piped on – and carried off (5)
28 The professional in part of the river is to blame (8)
29 Company kept by one clergyman and another (6)
30 Marshal Ney's done for senior ladies (8)
31 It's a simple thing to multiply by dividing (6)

DOWN

1 Ring in wrong details, getting cut off (8)
2 Bookish though far from obscure line about time (8)
3 The state and Eva Turner? (6)
5 Sound of disapproval over universal mini-skirt (4)
6 Mercury – planet first associated with arsenic and methane (5,3)
7 Stick out there? On the contrary! (6)
8 Property expansion? (6)
11 Told in the family (7)
14 Assign a writer (7)
17 Temporary settlement where these ladies sing this song? (8)
18 Bit of quiet reading (8)
19 Kerchief for British and Indian money now obsolete (8)
22 Hit orchestrated? (6)
23 Irritable and extremely poorly after bite (6)
24 Place to study and exercise in silence (6)
27 Macready's bit of real estate? (4)

Solution to Puzzle No.7,040

R	I	G	A	D	O	O	N		S	P	R	E	A	D
U		E		A		B			I		E		X	
F	A	M	I	L	I	A	R		P	E	D	A	L	S
[illegible]														
S	O	L	I	T	A	I	R	E		T	I	N	T	E	R
[illegible]														
			S	P	A	N		M	Y	E	L	O	M	A
[illegible]														
S	I	P	O	S	T	E		P	A	T	I	N	A	
[illegible]														
B	I	N	C	E		C	R	O	S	S	B	I	L	L
[illegible]														
D	R	E	D	G	E		M	U	T	T	E	R	E	R
[illegible]														
R	E	S	O	R	T		S	E	N	T	I	E	N	T

WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

GERMANY [illegible]

ITALY [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

HONG KONG [illegible]

SINGAPORE [illegible]

CANADA

TORONTO

2pm prices September 18

[illegible]

INDICES

NEW YORK — DOW JONES

	Sep 15	Sep 14	Sep 13	Sep 12	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2674.58	2664.89	2679.52	2707.26	2752.09 (1/9)	2144.64 (3/1)	2752.09 (1/9/89)	41.22 (2/7/32)
Home Bonds	93.01	92.96	92.94	92.96	94.15 (2/8)	87.35 (23/3)	-	-
Transport	1439.72	1443.28	1469.24	1477.06	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	215.54	213.78	214.10	215.92	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2695.67 (2690.16) Low 2643.05 (2647.61)

STANDARD AND POOR'S	Sep 15	Sep 14	Sep 13	Sep 12	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	345.06	343.16	345.46	348.70	353.73 (1/9)	275.31 (3/1)	353.73 (1/9/89)	4.40 (1/6/32)
Industrials	394.35	392.64	395.38	399.24	405.27 (1/9)	318.66 (3/1)	405.27 (1/9/89)	3.62 (21/6/32)
Financial	32.76	32.68	32.98	33.34	33.59 (7/8)	24.30 (3/1)	33.59 (7/8/89)	8.64 (1/10/74)
NYSE Composite	191.59	190.95	192.29	193.88	196.37 (1/9)	154.98 (3/1)	196.37 (1/9/89)	4.46 (25/4/42)
Amer Mkt. Value	379.64	380.94	383.77	384.54	384.54 (12/9)	305.24 (3/1)	384.54 (12/9/89)	29.31 (9/12/72)
NASDAQ Composite	467.57	468.78	471.83	471.86	471.86 (12/9)	378.56 (3/1)	471.86 (12/9/89)	54.87 (31/10/72)

	Sep 8	Aug 25	Aug 18	year ago (approx.)
Dow Industrial Div. Yield	3.70	3.39	3.44	3.71
	Sep 13	Sept 6	Aug 30	year ago (approx.)
S & P Industrial div. yield	2.89	2.86	2.83	3.24
S & P Indl. P/E ratio	14.46	14.61	14.67	12.80

TRADING ACTIVITY [illegible]

CANADA [illegible]

NEW YORK ACTIVE STOCKS

[illegible]

TOKYO - Most Active Stocks

Monday September 18 1989

[illegible]

WORLD M.S. Capital Intl. (1/1/70)	(u)	523.3	527.2	526.7	551.2 (3/8)	487.6 (13/6)

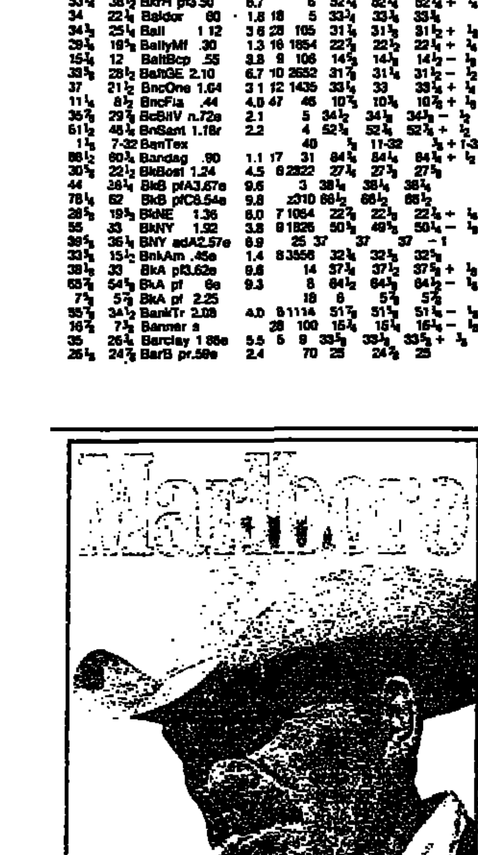
♦ Subject to official recalculation.

Base values of all Indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3pm prices September 18

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
35¼	21¾	AAR	.44	1.3	22	91	34¼	34	34	
9⅞	5½	ACM n	1.01	11.		135	9	8⅞	9	+ ⅛
11⅝	10¼	ACMIn	1.25a	11.		715	11½	11⅜	11⅜	
10⅛	8½	ACM M	n1.01	12.		310	8⅝	8½	8½	- ⅛
11½	10	ACM Sc	1.26	11		1134	11¼	11⅛	11⅛	- ⅛
9⅝	8⅝	ACMSp	1.01	11.		975	9⅝	9	9¼	+ ¼
18	11½	AL Lab	.12	.7	18	37	16½	16¼	16½	
4⅛	3¼	AMCA	.12e	3.4	23	95	3⅝	3½	3½	- ⅛
6⅛	4½	AM Intl			12	378	5⅝	5½	5½	
23½	20⅝	AM In pf	2	9.2		1	21¾	21¾	21¾	
96	45⅛	AMR			9	10001	76⅛	74½	75½	- ⅜
27	25	ANR pf	2.67	10		1	25½	25½	25½	+ ⅛
24⅞	23⅛	ANR pf	2.12	8.7		30	24½	24	24½	+ ½
7⅜	3⅝	ARX				31	3⅝	3¼	3¼	
44⅛	35½	ASA	3e	7.1		292	42⅝	42	42⅛	
22⅝	15¼	AVX	.24	1.2	9	186	20	20	20	
66	44⅛	AbtLab	1.40	2.2	15	2751	64½	63	64	+ 1⅛
18¼	12¾	Abitibi g	1			38	14¾	14⅝	14⅝	- ¼
13	7½	AcmeC	.40	3.8		8	10⅝	10½	10½	
9¾	5⅞	AcmeE	.32	3.4	11	15	9½	9¼	9½	+ ⅛
34⅞	20¼	Acuson			23	270	32⅝	32	32⅛	- ⅝
17	14¼	AdaEx	1.92e	11		74	16⅝	16½	16½	
12⅝	6½	Adobe				403	11	11	11	- ¼
19⅜	16½	Adob pf	1.84	9.7		5	19	19	19	- ¼
11¾	7⅛	AMD				943	8¾	8½	8⅝	- ⅛
38	28¾	AMD pf	3	9.6		4	31¼	31⅛	31¼	- ⅛
10⅛	6⅛	Advest	.12	1.4	15	30	9	8⅞	8⅞	- ⅛
60⅛	46	AetnLf	2.76	4.8	9	1118	58⅝	56⅝	58½	- ⅛
14	12⅞	AfilPb				417	13⅜	13⅛	13⅛	- ⅛
23¾	15⅛	Ahmans	.88	3.8	11	983	23⅛	22¾	23	- ¼
4¼	2¼	Aileen				447	3½	3⅛	3½	+ ⅛
48¼	37¾	AirPrd	1.32	2.8	12	833	47	46¼	47	+ ⅝
37⅞	17	AirbFrt	.60	1.7	23	188	35⅛	35	35⅛	
25⅛	14⅛	Airgss			14	31	23¾	23⅜	23⅜	- ½
20½	18⅛	Airlease	2.40	12.	9	32	20½	20⅜	20⅜	
10	8½	AlaP dpf	.87	9.3		38	9½	9¼	9⅜	- ⅛
100½	93	AlaP pf	9.44	9.5		z10	99	99	99	- ½
88	80⅜	AlaP pf	8.28	9.5		z100	87	87	87	



Continued on Page 51

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
Continued from previous Page										
33½	21⅞	vjRobins				14	453	32⅞	32	32¼ + ⅛
21⅞	16⅝	RochG	1.50	7.3	11	1242	20½	20⅜	20½ + ⅛
44¾	23⅞	RochTl e			19	618	42¾	42¼	42½	
20⅝	18½	RckCtr	1.88	9.3	15	265	20¼	20⅛	20¼	
25	18⅞	Rockwl	.78	3.1	8	4095	u25⅛	24⅞	24⅞ − ⅛
8½	4⅞	RodRen				23	6⅞	6⅝	6⅞ − ⅛
37½	30⅜	RoHaas	1.20	3.5	11	499	34⅞	34½	34⅞ + ⅜
37⅞	25⅝	Rohr			16	421	29⅜	29⅛	29⅜	
15⅞	9	RollinE	.08	.8		807	10⅝	10½	10⅝	
21	16⅜	Rollins	.54	3.0	18	77	18	17⅞	18 + ⅛
48¼	35⅞	Rorer	.80	1.9	21	2108	42⅞	41⅞	42	
9⅞	4½	Rowan				896	6⅞	6⅝	6⅝ − ⅛
69¾	52¼	RoylD	e3.35e	4.8	6	5286	u70	69⅝	69⅞ + ⅝
16	8¼	Roykst	.20s	1.8	12	28	11⅝	11¼	11⅛ − ⅛
10	7¾	Royce	.51e	5.2		185	9¾	9⅝	9¾ + ⅛
35⅞	23½	Rubmd	.44	1.3	29	1060	33½	32⅞	33 − ⅜
21¼	14⅞	RussBr	.40	2.7	21	125	15	14⅞	15 + ⅛
15	12⅛	RussTg	.60	4.4	55	17	13⅝	13½	13⅝ + ¼
25⅞	14⅞	Russell	.28	1.2	17	70	24⅛	23⅞	23⅞	
31⅛	22⅝	Ryder	.60	2.3	13	3204	28⅞	28⅜	28½ − ⅛
29½	22	Rykoff s	.60	2.4	15	x259	25⅜	25	25⅛ + ⅛
25⅛	16	Ryland	.60	2.6	6	18	23⅛	22⅞	23⅛ − ⅛
14¼	8⅜	Rymer				50	13⅜	13¼	13¼ − ⅛
10½	7¼	Rymr pf1.17		12.		10	10⅛	10⅛	10⅛ + ⅛
— S — S — S —										
37⅞	31	SCEcp	2.56	7.0	10	2274	36½	36	36⅛	
11⅜	6⅞	SCOR U.20e		1.8	8	59	11½	11¼	11⅛	
8⅞	7⅛	SL Ind	.16	1.9		11	8⅝	8½	8⅝ + ⅛
60⅛	41½	SPSTec	1.20	2.3	21	27	53	52½	53 + ½
36½	24⅞	SPX Cp	1	2.8	6	1302	36⅛	34⅝	36⅛ + ⅞
36⅝	19	SSMC				2	30	30	30	
22½	13¼	Saatchi	.57e	3.8	6	641	15⅛	15	15⅛ + ⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
— X — Y — Z —										
69	53⅝	Xerox	3	4.6	18	1786	65⅜	65	65¼ − ¼
44¼	29⅝	XTRA	.72	2.3	9	80	31¼	30⅞	31 − ⅛
4¼	2	Zapata				287	2⅛	2⅞	2½	
15½	10½	Zemex	.40	3.8	116	1	10⅝	10⅝	10⅝ − ⅛
22⅝	14⅞	ZenlthE				1926	14¾	d14	14½ − ½
10⅜	8¼	Zeninc	1.26	14.		x204	8⅝	8½	8⅝	
2¼	1⅛	vjZenLb				1276	1¼	1⅛	1⅛ − ⅛
21½	16	ZenNtl	.84	4.3	9	32	19⅜	19¼	19⅜ − ⅛
18½	11⅛	Zero s	.40	2.2	17	42	18⅛	18⅛	18⅛ − ⅛
44½	23⅞	Zurnis	.68	1.8	19	248	38⅝	38⅛	38¼ − ⅛
12	10	Zweig	1.09e	9.4		183	11⅞	11⅝	11⅝ − ⅛
10⅛	8¼	Zweig	.95	10.		1482	9½	9¼	9¼ − ¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices September 18

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
HomeSh		45	162	3¾	3⅝	3⅝ − ⅛	
Hormel	.44	17	143	28⅞	28⅝	28⅞ + ⅜	
HrnHar			101	7⅞	7⅞	7⅞	
HooOT	.07e	18	280	1⅞	1⅝	1⅞	
HovnEn		9	22	10⅞	10⅞	10⅞ + ⅛	
— I — I —							
ICH		11	305	5	4⅞	4⅞ − ⅛	
ImpOil g1.80			391	49⅛	49⅜	49⅝ − ⅛	
InstSy		9	3349	1⅝	1⅛	1⅞ + ⅛	
InsSy pl.25e			3	2	2	2	
PegGld	.10e	17	441	9⅝	9½	9⅝ + ⅛	
PeopBc	.68	9	10	15⅞	15⅞	15⅞ + ⅛	
PerlelC	.80	73	24	36⅝	35⅝	35⅞ − ¼	
PtHeat	1.83		15	16⅛	16	16	
PhLD	.15e	9	25	19⅝	19⅜	19⅝ + ⅛	
PlyGem	.12	13	117	13½	13⅞	13⅞ − ⅛	
Presd A	.10		10	7	7	7 − ⅛	
PrcCm s			394	6⅞	6½	6⅞ − ⅛	
Prism		12	23	3	2⅞	3 + ⅛	

OVER-THE-COUNTER

Nasdaq national market, 3pm prices September 18

Stock	Div.	Sales 100s	High	Low	Last	Chng
Willamt	1.46	8 1126	53⅛	52½	53	
WilmTr	1.24	13 883	43	42½	42⅞ + ⅛	
WiserO	.40	43 3	16⅞	16⅜	16⅜	
Wolohn	.28	10 62	20¼	19⅞	20	
WlvEx h		46	8⅛	8⅛	8⅛	
Worthg	.56	15 257	24⅛	23⅞	24 − ⅛	
Wyman	.80	163 249	18⅛	17¼	18⅛ + ½	
— X — Y — Z —						
XL Dta s		18 199	24	23½	23½	
XOMA		2021	23¼	22½	22⅞ + ⅛	
Xicor		9 1682	6⅛	5⅞	6¼ + ⅜	
YelowF	.76	11 426	29⅜	29	29⅜ + ¼	
ZionUt	1.44	74	30½	29½	29½	
Zycad		65	2¾	2⅝	2⅝ − ⅛	

FINANCIAL TIMES Tuesday September 19 1989

AMERICA

Dow marks time before prices data

Wall Street

A LETHARGIC day on Wall Street saw equities trading in a narrowly mixed range yesterday, *writes Karen Zagor in New York.*

At 2 pm, the Dow Jones Industrial Average was 5.51 points higher at 2,680.09. Trading on the New York Stock Exchange was light, with less than 93m shares changing hands by mid-day. On the Big Board, falls led rises by a ratio of 7 to 6.

The debt market was also sluggish at mid-day, with the Treasury's benchmark 30-year bond up 1/16 at 100 5/16, yielding 8.07 per cent. Bonds received no support from the dollar, which slid to Y145.60 and DM1.9505 in the early afternoon, down from Y146.91 and DM1.9770 at the beginning of trading in London.

Wall Street is waiting for today's release of the August consumer price index, which traders hope will boost the debt market.

Griggs & Santow, the money market economists, expect a rise of 0.1 per cent overall, with a gain of 0.3 per cent when food and energy are excluded.

Semiconductors issues, which posted gains last week after a bullish industry report, fell back after a Kidder Peabody analyst cautioned investors about the industry as a whole, particularly those companies with personal computer and DRAM exposure.

Motorola fell $¼ to $57¼, Texas Instruments fell $⅝ to $40⅛, and Western Digital fell $¼ to $8⅛. In over-the-counter trading, Intel was down $¼ to $31 and Chips & Technologies tumbled $1 to $20.

UAL, the parent of United Airlines, rose $1 to $280¾. On Friday, the company's board accepted a $300-a-share buyout offer from management and the pilots' union, backed by a $750m equity pledge from British Airways.

AMR, the parent of American Airlines, fell $½ to $75⅝, while Texas Air, which has been trying to sell its Continental Airlines subsidiary, slipped $⅛ to $17⅞.

First Bank System tumbled $1¼ to $22⅞ after announcing that it would increase its loan-loss provision in the third quarter by $35m compared with $20.5m in the second quarter.

First Pennsylvania jumped $1⅞ to $16⅝ after accepting a takeover offer of $18.75-a-share or $730m from CorreStates Financial. First Pennsylvania is thought to have rejected a rival $20.85-a-share bid from Meridian Bancorp.

Shares in CorreStates fell $2 to $47⅝ while Meridian leapt $1 to $23⅝. First Interstate of Wisconsin rose $5¼ to $22¾ after agreeing to merge with Norwest Corporation, a Minneapolis-based bank holding company. Norwest added $¼ to $22½.

Georgia Gulf, which fell $4¾ on Friday after Mr Harold Simmons, the Dallas investor, said he would drop a proxy fight against the board, slipped another $⅝ to $51¾.

Among other takeover issues, MGM/UA advanced $⅛ to $22⅝. The entertainment group has accepted a bid of $25-a-share from Quintex.

Canada

TRADING was quiet, with stocks remaining mixed at midsession. Gold shares gained slightly, rising 19 points following a late rally in London gold prices, but most other indices were down.

The composite index lost 1.7 to 3,894.6. Volume was 8.4m shares, with declines leading advances by 238 to 182. Campeau Corp remained suspended despite Friday's announcement that it has partly solved its financing problems.

Industrials were mixed, with Laidlaw Transportation down C$⅛ at C$19⅞ while Connaught Biosciences, subject of a C$30 a share bid from Ciba-Geigy, rose C$½ to C$32.

Correction

IN THE Brokers' World article on September 7, the conversions from pesos into dollars for Operadora's results should have read $2.2m and $2.8m respectively, rather than $2.2bn and $2.8bn.

Fatigue prevails in week of waiting

MARKETS IN PERSPECTIVE

	% change in local currency †				% change in sterling †
	1 Week	4 Weeks	1 Year	Start of 1988	Start of 1989
Austria	−1.39	+9.36	+74.18	+71.76	+79.36
Belgium	+1.39	+3.00	+20.85	+11.29	+16.65
Denmark	+1.09	−2.15	+68.13	+27.41	+32.44
Finland	−1.50	−4.30	+11.77	+5.67	+15.28
France	−0.40	+4.73	+44.83	+25.08	+32.09
West Germany	−2.70	+1.36	+30.12	+21.81	+27.05
Ireland	−0.97	−0.67	+25.75	+27.92	+33.22
Italy	+2.40	+1.00	+36.50	+20.04	+28.54
Netherlands	−0.52	+1.80	+30.29	+25.98	+31.55
Norway	−0.60	+4.86	+73.06	+46.47	+56.01
Spain	+0.05	+2.97	+14.47	+16.61	+24.48
Sweden	−1.65	−1.73	+58.93	+33.76	+43.35
Switzerland	−2.54	−1.35	+25.69	+27.40	+30.41
UK	−2.20	−0.45	+32.26	+30.02	+30.02
EUROPE	−1.38	+0.88	+32.93	+26.16	+29.81
Australia	−1.51	+0.43	+11.45	+17.37	+24.65
Hong Kong	−0.35	+3.99	+10.12	−1.50	+15.79
Japan	+1.48	−2.22	+21.48	+9.20	+7.93
Malaysia	+0.07	+5.34	+46.47	+38.87	+63.40
New Zealand	−1.45	+0.65	+22.02	+33.31	+45.94
Singapore	−2.39	−0.96	+31.82	+35.01	+55.34
Canada	−1.49	−1.34	+20.93	+16.63	+32.77
USA	−1.18	+1.02	+26.83	+23.88	+45.66
Mexico	+1.39	+13.08	+130.90	+117.35	+126.60
South Africa	−1.06	−4.48	+54.46	+37.71	+55.40
WORLD INDEX	−0.18	−0.43	+25.52	+17.47	+24.87

† Based on 15 September 1989. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited.

By William Cochrane

LOOKING tired and almost irritable in the aftermath of an exciting summer, North America and Europe outweighed a cautious recovery in Tokyo last week to leave the World Index lower for the third week running.

Wall Street had a week of waiting: for the "triple witching hour" when stock-index futures and options, as well as options on individual stocks, expire; and for four sets of crucial economic statistics. In the end, these were overshadowed by the crisis in the junk bond market as the prime exponent of the genre, the Canadian-based Campeau Corporation, ran into a cash flow crisis.

Takeover stocks, which the junk bond phenomenon has helped to inflate, fell sharply as prospects of future, highly-priced merger deals seemed to recede, contributing to America's 1.2 per cent fall over the week. Canada followed the US decline – without Campeau, suspended last Wednesday – ending 1.5 per cent lower.

In Europe, West Germany, the week's poorest performer, had a number of things to worry about. On Monday, Daimler Benz soured the week. Before the Frankfurt international motor show, it produced unexciting results and refused to release details of the rights issue, at one time thought to be DM2bn or more, which is still overhanging the market.

Sentiment was not improved by the financial difficulties of the Co op retailing group; and, on the macro-economic front, market strategists were wrestling with the strength of the US dollar and its potential impact on key interest rates at this Thursday's Bundesbank meeting.

Switzerland, another falling market, had its own interest rate worries, but it was also seen as in need of a good consolidation.

Like West Germany, Japan was said to be waiting for the release of US economic data on Friday, when Tokyo was closed for National Day. It was one of the week's best performers, but the conclusion was that September, traditionally a sluggish month, is proving no exception this year.

EUROPE

Individual issues provide the interest in thin session

INDIVIDUAL features, highlighting company news and speculation, relieved a thin start to the week for Continental markets yesterday, *writes Our Markets Staff.*

AMSTERDAM was dominated by the failure of one bank merger and the success of a second – seen as extraordinary events in a very quiet day's trading, which left the CBS tendency index just 0.7 higher at 196.2.

Amro was suspended throughout the session after closing at Fl 83.70 on Friday. It announced that it had abandoned plans to merge with Générale de Banque, Belgium's largest bank, and that the two banks would reduce their 9.99 per cent crossholdings in each other to 5 per cent, placing the extra shares with institutions.

The market had not expected the merger to go through, said an analyst, adding that most of the bad news now seemed to be out of the Amro stock.

NMB's announcement at the weekend that its merger with the state-owned Postbank would go ahead on October 4 was also expected, leaving the NMB share price little changed at Fl 273, down 50 cents.

Elsewhere, Nedlloyd was strong, rising Fl 3.40, or 3.7 per cent, to Fl 95.90. The shipping group has been recommended mainly for its sound fundamentals, and it has appeared on several buy lists recently.

Bols, the liqueur company, also performed well, adding Fl5 to Fl 168.50 in a delayed reaction to last week's higher-than-expected profits.

FRANKFURT firmed in the pre-bourse, on short covering after Friday's fall, died at the opening and then picked up again in the second half of the session. Its progress was marked by the 4.06 decline in the FAZ index to 664.21, struck at midsession, and the 9.80 rise in the DAX to 1,606.11 at the close.

Volume was not inspiring, down from DM4.5bn to DM3.3bn, and dealers had to sustain interest on individual features such as Mannesmann, the engineering group, which put up a remarkable show of relative strength on Thursday and Friday and topped it off yesterday with a rise of DM3 to DM278.50. Mannesmann headed the volume charts, dealing in DM255m.

Hoechst, the chemicals group, was fourth most actively traded at DM138m, rising DM3.20 to DM298.50 as it denied a magazine report alleging that it had defrauded Hermes, the West German state-backed export credit scheme.

PARIS was little changed in a fairly thin session, with any activity here, too, focused on corporate news and speculation. Peugeot's share price continued to decline on the current strike action, losing FFr4 to FFr903 on busy turnover of 300,000 shares.

Imetal rose FFr6.90 to FFr376.90 amid rumours that it would sell its stake in the metals group, Metaleurop. Michelin, the tyre manufacturer, added FFr3 to FFr184.50 after Friday's news of a 28 per cent rise in first-half group profits.

Volume in Navigation Mixte shares shrank after last week's active trading and the increase from 5 to 7 per cent in the holding of AGF, the state-controlled insurance group. The share price, however, added FFr11 to FFr1,211.

Overall volume was estimated at FFr2.3bn, down from Friday's FFr3.3bn which was swelled by the active trading in Navigation Mixte. The OMF 50 index eased 0.49 to 528.38 while the CAC 40 index added 0.54 to 1,892.71.

ZURICH, like Frankfurt, is concerned about the level of the dollar and key interest rates before the Deutsche Bundesbank meeting this Thursday. More stable interest rates and a weaker dollar helped the Crédit Suisse index up 3.8 to 665.2 yesterday, extending the recovery which began on Friday after a downturn that lasted several sessions.

It also had its individual features. In low volume, Alusuisse bearers probably topped the activity charts with a rise of SFr5 to SFr1,475 after a peak of SFr1,490 in early trading, illustrating the recovery in European metals stocks.

Nestlé bearers rose SFr200 to SFr8,700 on its agreement to sell its US baby foods company, Beech-Nut Nutrition, to Ralston Purina. Rumour has it that the sale has been agreed at a low price, but that it disposes of a problem and may open the door to a bigger and more effective investment in the sector.

MILAN ended mixed in thin trading and the Comit index closed 1.75 higher at 727.95. Once again, traders relied on individual issues such as the perceived fight for control of Mondadori, the publishing group, whose preferred shares rose L330 to L27,430. Amef, the holding company which owns a controlling stake in Mondadori, saw its savings shares advance L296 to L8,596.

BRUSSELS reached further record highs, but trading was mostly quiet. Générale de Banque was suspended after the news that it had dropped its plans to merge with Amro of the Netherlands. The cash market index rose 35.55 to 6,736.25.

OSLO hit its second all-time high in a row as blue chips made strong gains and prices for Norway's North Sea oil rose. The all-share index gained 6.51 to 544.59 in moderate trading.

MADRID eased as profit-taking followed last week's rises. The general index lost 0.14 to 324.68.

STOCKHOLM fell in lacklustre trading as private investors collected their profits.

The Affärsvärlden general index closed 6.4 lower at 1,283.0, down 0.5 per cent from Friday. Turnover was SKr239m worth of shares, down from SKr240m on Friday.

Trelleborg, the conglomerate, defied the downward trend as its free B-shares rose SKr6 to SKr236 on news that the company's joint takeover with Noranda of Falconbridge, the Canadian nickel miner, had been finalised.

HELSINKI closed lower for the sixth consecutive day in fairly active trade. The Unitas all-share index fell 4.8 to 738.7.

All sub-indices fell with the exception of the insurance sector index, which was helped by gains in Pohjola shares. Pohjola free A-shares recovered from Friday's losses to rise FM15 to FM265.

SOUTH AFRICA

A RALLY in the bullion price helped gold shares in Johannesburg recover Friday's falls. Trading was cautious and the overall index rose slightly.

ASIA PACIFIC

Doubts over yen's recovery deter investors

Tokyo

VOLUME was very thin in Tokyo yesterday as investors kept a patient watch on currency movements, while share prices rose on interest in specific issues, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average, after moving from a high of 34,525.41 to a low of 34,385.16, closed up 70.66 at 34,472.54. Advances led declines by 483 to 436 while 199 issues were unchanged.

Turnover was low at 491m shares, down from the 585m traded on Thursday. The Topix index of all listed shares advanced 3.80 to 2,622.23 and, in London trading, the ISE/Nikkei 50 index rose 1.83 to 2,032.45.

The three-day weekend did little to encourage buying enthusiasm yesterday. There was a growing consensus that the yen was unlikely to see much of a recovery in the near future and that, as a result, the Bank of Japan would keep interest rates at their current high level to counter inflationary pressures.

Analysts agreed that the market's movements this week would be significantly influenced by the yen-dollar exchange rate.

For the most part, investors appeared to have given up on the rest of September, which, as dealers keep reminding themselves, brings the end of the term for special trust funds as well as for banks. Securities firms seem to be concentrating on their conferences of branch managers this week.

While investors do not expect a significant upturn, nor do they anticipate a large loss, because there has not been any widespread selling and a number of new investment fund trusts are expected to be launched this week.

Interest yesterday was widespread, although an underlying theme could be seen in the move to buy issues that would benefit from the growing demands for a higher quality of life.

Issues in the housing and leisure sectors were sought, as these are areas thought to need improvement in order to make life more attractive for the majority of Japanese.

Winners in the housing sector included house-builders, such as Sekisui House, second on the volumes list with 10.9m shares traded, and Shokusan Jutaku, which followed with 10.4m shares. Sekisui House rose Y30 to Y2,490 and Shokusan Jutaku increased by Y80 to Y1,490.

Toto, a large maker of sanitary ceramic wares, gained Y80 to Y2,970 in active trading on the strength of its good earnings and its relatively low price/earnings ratio.

Property companies, particularly those active in developing leisure facilities, and railways, which could benefit from the growing tendency to take more time as leisure, were popular.

Tokyu, the railway company, and Tokyu Land, the related real estate company, both rose in active trading. Tokyu added Y50 to Y1,920 and Tokyu Land firmed Y80 to Y1,540.

The Tokyu group of companies was also popular on speculation about a possible restructuring following its founder's death earlier this year.

Large capital issues were generally sluggish, but Nippon Steel topped the volume list with 18.1m shares, gaining Y3 to Y780. Occasional flashes of interest in large capital issues had been expected prior to the closing of the special trust funds, analysts said.

Interest in specific issues triggered active trading in Osaka. The OSE average rose a strong 173.18 to 35,013.26 and volume improved to 106m shares from the 91m traded on Thursday.

Nintendo, the maker of television video games, advanced Y200 to Y12,000 as dealers bought the issue for quick profits before Nintendo's scrip issue, scheduled for October 20.

Roundup

HEALTHY gains in Hong Kong were eroded by profit-taking, while changes were mostly small in other Asia Pacific markets.

HONG KONG saw strong gains trimmed as local and foreign investors took profits after the long weekend. The Hang Seng index closed 35.39, or 1.4 per cent, higher at 2,648.21, failing to hold above the 2,650 resistance level.

Earlier, the index had risen by 66 points following Saturday's public appearance of Deng Xiaoping, the Chinese leader, after recent concern about his health. Turnover grew to HK$1.25bn compared with HK$765m on Thursday.

Property issues performed well, with Cheung Kong up 15 cents at HK$8.80, Hang Lung Development rising 12.5 cents to HK$4.90 and Hongkong Land gaining 10 cents to HK$8.20.

Hongkong & Shanghai Bank rose 5 cents to HK$6.30 on continued foreign buying, particularly from the UK.

AUSTRALIA edged higher towards the close after a session lacking in direction, although some individual stocks had a more lively day.

Pacific Dunlop rose 6 cents to A$5.10 after reporting annual profits at the high end of expectations. Qintex gained 5 cents to A$3.60 after its winning bid for control of MGM/UA, while its unsuccessful rival, News Corporation, was unchanged at A$15.85.

Bell Resources gained 7 cents to A$1.20 and Bond Corp picked up 1 cent to 42 cents as talks continued with Lion Nathan of New Zealand about Bond's brewing activities.

The All Ordinaries index added 2.1 to 1,735.9 in thin turnover of 71.6m shares worth A$136m.

TAIWAN touched a record high after a volatile day's trading, as bursts of buying alternated with profit-taking.

The weighted index gained 77.62 to 10,672.08 after easing 47.14 on Saturday.

Volume swelled to 969m shares worth T$134bn from Saturday's 881m shares valued at T$120bn.

SINGAPORE suffered from profit-taking, with the Straits Times Industrial index down 7.30 at 1,404.51. Turnover declined to 71.5m shares from Friday's 78m. ICB Bank rose 50 cents to S$5.40 after proposing a S$75m loan stock issue.

NEW ZEALAND slipped in thin trading, with interest focusing on the discussions between Lion Nathan and Australia's Bond Corp.

Lion Nathan dropped 12 cents to NZ$4.28. The Barclays index lost 15.66 to 2,329.28.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY SEPTEMBER 15 1989						THURSDAY SEPTEMBER 14 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	153.18	−0.6	147.61	132.14	+0.1	4.82	154.13	148.53	132.04	157.14	126.28	142.15
Austria (19)	146.35	−1.7	141.03	152.23	+0.0	1.61	148.93	141.59	152.29	160.67	92.84	86.85
Belgium (63)	134.03	−1.3	129.16	135.43	+0.3	3.99	135.79	129.10	135.14	137.97	125.58	118.61
Canada (123)	147.09	−0.2	141.75	128.54	+0.1	3.19	147.40	140.13	128.43	153.59	124.67	118.11
Denmark (36)	191.92	−2.8	184.94	202.55	−1.0	1.57	197.35	187.62	204.66	219.89	165.35	124.69
Finland (26)	128.31	−2.2	123.65	121.04	−0.9	2.27	131.26	124.88	122.10	159.16	125.81	116.21
France (126)	129.23	−1.3	124.53	136.73	+0.2	2.75	130.93	124.48	136.43	133.44	112.57	94.37
West Germany (98)	95.03	−1.6	91.58	98.81	+0.2	2.06	96.57	91.81	98.55	100.53	79.59	77.86
Hong Kong (46)	110.11	+0.0	106.10	110.39	+0.0	5.03	110.11	104.68	110.39	140.35	88.41	98.56
Ireland (17)	149.30	−2.4	143.88	157.68	−0.6	2.80	152.91	145.37	158.69	166.69	125.00	127.55
Italy (97)	93.07	−0.2	89.68	95.57	+1.3	2.28	93.25	88.65	95.42	96.73	74.97	69.89
Japan (455)	175.79	−1.4	169.40	165.23	+0.0	0.48	178.37	169.57	165.23	200.11	164.22	160.27
Malaysia (36)	199.41	−0.3	192.17	207.90	+0.0	2.47	199.92	190.06	207.97	199.92	143.35	138.50
Mexico (13)	311.88	+1.0	300.54	879.75	+1.0	0.57	308.76	293.54	870.97	321.99	133.32	133.18
Netherland (43)	125.75	−0.9	121.18	129.43	+0.7	4.03	126.94	120.68	128.53	130.67	110.63	102.79
New Zealand (20)	83.90	−0.5	80.85	75.96	+0.0	4.62	84.35	80.20	75.93	88.18	62.64	71.43
Norway (24)	184.33	−0.3	177.63	181.33	+0.9	1.43	184.84	175.72	179.76	190.39	132.92	111.60
Singapore (26)	165.27	−0.4	159.27	151.30	+0.1	1.65	165.89	157.70	151.21	170.62	124.57	121.89
South Africa (60)	154.42	−1.2	148.81	138.29	−0.5	4.18	156.22	148.52	136.02	157.59	115.35	101.18
Spain (43)	157.09	−2.3	151.38	148.52	−0.7	3.46	160.72	152.79	149.58	180.94	143.14	138.85
Sweden (35)	176.30	−0.7	169.89	175.39	+0.6	1.96	177.55	168.80	174.40	189.94	138.45	115.00
Switzerland (64)	86.60	−1.3	83.45	92.66	+0.3	2.04	87.72	83.40	92.37	94.18	67.81	75.09
United Kingdom (306)	149.63	−1.9	144.19	144.19	+0.6	4.11	152.59	145.07	145.07	158.41	133.28	123.21
USA (549)	140.21	+0.5	135.11	140.21	+0.5	3.27	139.58	132.68	139.58	143.84	112.13	110.55
Europe (997)	126.42	−1.6	121.83	126.83	−0.1	3.26	128.45	122.11	126.99	132.62	112.63	101.75
Nordic (121)	163.35	−1.5	157.41	159.58	−0.1	1.76	165.84	157.66	159.88	178.38	137.98	109.06
Pacific Basin (670)	172.54	−1.4	166.27	161.94	+0.0	0.73	174.96	166.33	161.93	194.72	160.44	157.15
Euro-Pacific (1667)	154.22	−1.4	148.61	147.78	+0.0	1.57	156.48	148.77	147.84	166.98	141.56	136.00
North America (672)	140.52	+0.4	135.41	139.35	+0.4	3.27	139.93	133.03	138.74	144.24	112.79	110.94
Europe Ex. UK (691)	111.60	−1.3	107.54	116.08	+0.2	2.64	113.08	107.50	115.81	116.28	96.30	88.29
Pacific Ex. Japan (215)	133.26	−0.4	128.43	120.58	+0.1	4.56	133.83	127.23	120.50	137.65	111.53	119.62
World Ex. US (1863)	154.07	−1.4	148.47	147.18	+0.0	1.65	156.26	148.56	147.24	166.35	141.49	134.09
World Ex. UK (2106)	147.93	−0.7	142.56	144.84	+0.2	2.01	148.93	141.59	144.54	155.66	136.96	125.09
World Ex. So. Af. (2352)	148.03	−0.8	142.65	144.82	+0.1	2.18	149.20	141.84	144.63	155.92	136.67	125.06
World Ex. Japan (1957)	135.24	−0.3	130.33	134.48	+0.2	3.33	135.71	129.01	134.19	138.29	114.51	107.97
The World Index (2412)	148.07	−0.8	142.69	144.75	+0.1	2.19	149.24	141.88	144.57	155.89	136.88	124.91

Latest prices were unavailable for this edition.
Constituent change 18/9/89:Deletion:Cullinet Software(US)